



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I
Adjudication Division

Say No To Corruption

Through Courier
June 25, 2021

No. CSD/ARN/191/2015 – 501.

All the Directors
Paramount Spinning Mills Limited
2nd Floor, Finlay House,
I.I Chundrigar Road,
Karachi

Subject: Order in the matter of Show Cause Notice dated December 5, 2017 under Section 304 and Section 301 of the Companies Act, 2017 – Paramount Spinning Mills Limited

Dear All,

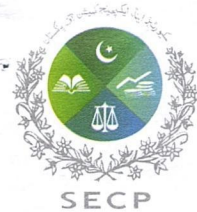
Please find enclosed order dated June 24, 2021 passed by Mr. Amir M. Khan Afridi, Head of Department (Adjudication Department-I) for your record and necessary action.

Regards,

25.6.2021

Muhammad Anwar Hashmi
Additional Joint Director

Annexed: As above



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

SAY NO TO CORRUPTION

Adjudication Division

Before Amir M. Khan Afridi
Director/Head of Department

In the matter of

Paramount Spinning Mills Limited

Show Cause Notice No. & Date No.CSD/ARN/191/2016-862 dated
December 5, 2017

Dates of Hearings: December 20, 2017; January 15, 2018; April 4, 2018; August 20, 2018; October 31, 2018; February 21, 2019; December 19, 2019; January 6, 2020; October 2, 2020; January 21, 2021; February 12, 2021; February 26, 2021; March 15, 2021; March 18, 2021; April 14, 2021; May 4, 2021; and June 1, 2021.

Hearings attended by:

(i) Mr. Muhammad Hamza Khokhar,
Advocate
(ii) Mr. Muhammad Ijaz, Company Secretary
(Both Authorized Representatives)

ORDER

Under Section 304 of the Companies Act 2017 read with clause (b) (c) and (f) of Section 301 thereof.

This Order shall dispose of the proceedings initiated through Show Cause Notice No. CSD/ARN/191/2016-862 dated December 5, 2017 (SCN), under Section 301 of the Companies Act 2017 (the Act) and Section 304 thereof, issued to the board of directors including the chief executive of Paramount Spinning Mills Limited (the Company), herein after collectively referred to as the Respondents.

2. Brief facts of the case are that the Company is a public limited company incorporated under the the Act (the repealed Companies Ordinance, 1984) and shares of the Company are listed on the Pakistan Stock Exchange (PSX). As per available information, principal business of the Company is to manufacture and sale yarn. It was observed that the Company had failed to file its annual accounts (the Accounts) with the Securities and Exchange Commission of Pakistan (the Commission) for two consecutive years ended June 30, 2015 and June 30, 2016. The Company had also failed to file its quarterly accounts with the Commission for the periods ended March 31, 2015; September 30, 2015; December 31, 2015; March 31, 2016; September 30, 2016 and December 31, 2016. Moreover, as per



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the Accounts of the Company for the latest available year ended June 30, 2014, it was transpired that various banks and financial institutions had filed suits in Banking Court, Karachi, Sindh High Court and Lahore High Court for recovery of their loans through attachment and sale of Company's stocks and properties. The aggregate amount of these claims was stated as Rs. 2,332.365 million which was approximately 76% of its total assets. Further, Company's accumulated losses as at year ended June 30, 2014 stand at Rs. 2,707.407 million. Furthermore, United Bank Limited had also filed a winding up petition against the Company in the honorable High Court of Sindh at Karachi. The Additional Registrar, Company Registration Office, Karachi approached the Commission for grant of sanction in terms 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 had not filed the Accounts for two consecutive years i.e. for the year ended June 30, 2015 (FY2015) and June 30, 2016 (FY2016) and was unable to pay its debts which attracts clause (b), (c) and (f) of Section 301 of the Act.

3. Keeping in view the above, proceedings under Sections 301 and 304 of the Act were initiated against the Respondents vide the SCN and they were advised to appear on December 20, 2017 and to show cause as to why a petition for winding up of the Company may not be presented by the Registrar of Companies before the Court.

4. In this regard, letter dated December 19, 2017 was received from M/s Cornelius, Iane & Mufti, advocates and solicitors, seeking that hearing in the referred matter be adjourned to a date after the first week of January, 2018. Next hearing in the matter was fixed for January 15, 2018. On the date of hearing, Mr. Muhammad Hamza and Mr. Abid Amin appeared. It was informed that SCN was issued based on non-filing of Accounts for FY 2015 and FY2016. The Company held its AGM for FY2015 on August 29, 2017 and Accounts for FY2016 were in final stages. The Representatives submitted that written submissions to the SCN will be furnished. The Representatives also submitted letter dated January 12, 2018 issued by Baker Tilly Mehmood Idrees Qamar, chartered accountants, being auditor of the Company, in terms of which it was informed that audit field work was in process related to audit of Accounts FY2016. Hearing in the matter was again fixed for April 4, 2018; August 20, 2018; and October 31, 2018, however, no one appeared. Thereafter, hearing was again fixed for February 21, 2019. On the date of hearing, Mr. Abid Amin and Mr. Muhammad Hamza appeared and, *inter alia*, submitted that Accounts' finalization was in process and will be submitted at the earliest. Subsequently, letter dated February 28, 2019 was received from a director of the Company, contents of which are reproduced as under:



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"This is with reference to the hearing held on February 21, 2019, on the captioned subject, held at Securities and Exchange Commission of Pakistan-Islamabad, wherein our representatives Mr. Abid Amin and Mr. Muhammad Hamza Khokhar attended the meeting on behalf of the company.

As you are aware and it is reiterated that all the pending Annual General Meetings under the directions of SECP have already been held. Accordingly, you were gracious enough to agree for withdrawal of notice(s) issued by SECP. It is therefore, requested that even the token penalty may not be imposed due to the financial position of the Company. Your co-operation in this regard will be highly appreciated.

That the Company has also submitted interim Financial Statements.

It is also reiterated herein that the scheme of arrangement with the banks is being finalized and soon the same shall be instituted before the Hon'ble High Court having jurisdiction in this regard."

5. Hearing in the matter was again fixed for December 19, 2019. In this regard, letter dated December 20, 2019 was received from company secretary, seeking extension of two weeks' time. Hearing was later fixed for January 6, 2020. Mr. Abid Amin appeared in the hearing proceedings. He, *inter alia*, submitted that all AGMs till June 30, 2019 were held and relevant quarterly accounts were filed. For UBL related winding up petition, he submitted that restructuring arrangement was being made and winding up petition was withdrawn by UBL. He was advised to forward a copy of the aforesaid scheme of arrangement. Subsequently, the Company vide letter dated January 11, 2020, submitted copy of Sindh High Court order dated October 25, 2019 along with copy of the scheme of arrangement. Hearing in the matter was again fixed for October 2, 2020. In this regard, a letter dated September 30, 2020 was furnished citing reason that the Company was working with minimum staff and due to ongoing meeting with creditors, requested to reschedule the hearing. Hearing was again fixed for January 21, 2021; February 12, 2021; February 26, 2021 respectively. However, hearings were not held due to non-appearance of the Authorized Representative. Hearing was again fixed for March 15, 2021 and March 18, 2021. On March 18, 2021, Mr. Muhammad Hamza and Mr. Muhammad Ijaz, appeared as Authorized Representative. The Authorized Representative submitted that:

- (i) the Company has held its overdue AGMs, so proceedings be dropped.
- (ii) The scheme of arrangement has been sanctioned by the honorable Sindh High Court and was being implemented and it was not beneficial to wind-up the Company.
- (iii) the Commission was party to the scheme.

When it was enquired that how the operations of the Company would be revived, he submitted that it was a separate scheme to revive the Company. He was advised to forward current status of the scheme of arrangement.



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6. Subsequent to hearing, the company secretary, vide email dated March 19, 2021, furnished current status of the scheme of arrangement in the following manner:

"This is with reference to our meeting dated 18.3.2021 on the captioned subject wherein we have been directed to provide you the current status of Scheme of Arrangement.

Please note that the assets are being sold under the auspices of Assets Sale Committee being led by the United Bank Limited. Paramount Spinning Mills Limited- Raiwind unit has already been sold, proceed whereof has been distributed by the United Bank Limited to all the secured creditors of the company, proportionate to their share, strictly in terms of the Scheme of Arrangement duly sanctioned by the Honorable Sindh High Court. Similarly, the Assets of the Company situated at S.I.T.E KOTRI are also being sold by the Assets Sale Committee to implement the Scheme in letter and spirit.

We would also like to appraise you that we have already held the annual General Meeting for the year 30.06.2015 and 30.06.2016 on 29.08.2017 and 22.03.2018 respectively after taking directions from SECP. We have already filed the audited accounts and quarterly accounts to SECP".

7. Thereafter, another hearing opportunity in the matter was provided and hearing was fixed for April 14, 2021. The company secretary vide email dated April 13, 2021 sought adjournment in the matter. Hearing was again fixed for May 4, 2021, however, no one appeared. Hearing was thereafter fixed for June 1, 2021. On the date of hearing, Mr. Muhammad Hamza Khokhar, as Authorized Representative, and Mr. Ijaz, the company secretary appeared. The Authorized Representative submitted that:

- (i) as per the scheme, the creditors i.e. banks became equal charge holders and irrespective of charge, proportionate share be distributed i.e. pari passu.
- (ii) The Court rejected the plea of Bank of Punjab, a non-consenting creditor and decree holder.
- (iii) The banks are ready to absorb the losses on account of deficit in sales price of assets and outstanding liabilities.
- (iv) AGMs till the FY2019 were held.
- (v) Winding up will not be in benefit of the investors and creditors as scheme of arrangement has already been filed.

8. In terms of notification S.R.O. 1545 (I)/2019 dated December 6, 2019, the power to sanction for presenting petition of winding before the Court under Section 304 of the Act have been delegated to the undersigned as Head of Department (Adjudication Department-I).

A-



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9. It is pertinent to state here the relevant provisions of the Act:

Section 301:

A company may be wound up by the Court- (b) if default is made in delivering the statutory report to the registrar or in holding the statutory meeting; or (c) if default is made in holding any two consecutive annual general meetings; or (f) if the company is unable to pay its debts; or

Section 304(b):

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 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;

10. I have gone through the facts of the case, reply furnished and stance taken during the hearing and arguments made by the Authorized Representative. In this regard, the case is summarized in the following manner:

- (i) As per the available information, the scheme of arrangement was filed under Section 279 to 283 and 285 of the Act jointly by the Company and its creditors. As per the scheme, assets sale committee was to be constituted which comprises of (i) United Bank Limited (ii) Faysal Bank Limited (iii) Habib Bank Limited (iv) Bank Al Falah Limited (v) MCB Bank Limited. Through the said scheme it was mainly proposed that:

“1. The existing financial obligations/ liabilities of the Company towards the Creditors shall be settled by way of sale of assets of the Company and payment of the proceeds thereof to the Creditors as contemplated under this Scheme along with implementing ancillary matters thereto.

2. This Scheme, if approved by the requisite majority of the secured creditors and shareholders of the Company, and sanctioned by the Court by an order passed in this respect, is to be binding on the Company, along with all the shareholders, creditors, stakeholders and any other regulatory / statutory bodies of or with respect to the Company.”

I have also reviewed the order dated October 25, 2019 announced by the Honorable High Court of Sindh, in case of JCM 5/2019, wherein it is ordered that:



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“Since all requisite formalities as prescribed in law have been completed and complied with by the petitioners in accordance with the Companies Act, 2017 read with Companies (Court) Rules, 1997, and I am satisfied that the petitioners have made out a case, therefore, the petition is allowed as prayed. The Petitioners to act further pursuant to the grant of this petition in accordance with the approved Scheme in question.”

- (ii) AGMs for FY2015 and FY2016 were duly held and Accounts for the said years were filed with the Commission. Moreover, relevant quarterly financial statements, as mentioned in the SCN, were also transmitted. The Authorized Representative also informed that AGMs of the Company till FY 2019 were held.
- (iii) UBL has withdrawn its winding up petition against the Company and was part of the scheme of the arrangement filed under Sections 279 to 283 and Section 285 of the Act.

11. Keeping in view the above and the fact placed before me, I am of the view that the case of winding up of the Company is not made as the Company has convened its overdue AGMs for FYs 2015 and 2016. The Company has also prepared and filed the relevant periodical accounts. The Company and its creditors have filed the scheme of arrangement before the Honorable High Court of Sindh, wherein the Honorable Court ordered that *“I am satisfied that the petitioners have made out the case, therefore the petition is allowed as prayed. The Petitioners to act further pursuant to grant of this petition in accordance with the approved scheme in question”*. I, therefore close the said proceedings with no further action at this stage. I, however, advise the Offsite - II Department, Supervision Division of the Commission to monitor execution of the scheme of arrangement.

12. Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties on the Respondents of the Company in respect of any default, omission, violation of the Act.

Amir M. Khan Afridi
Head of Department
Adjudication Department-I

Announced: June 24, 2021
Islamabad