



Securities and Exchange Commission of Pakistan  
**Enforcement Department**

*Before Rashid Sadiq, Executive Director*

*In the matter of*  
**M/s. Fazal Vegetable Ghee Mills Limited**

Date of notice	December 03, 2003
Date of final hearing	March 24, 2004
Present	Mr. Shair-ur-Rehman, Manager Administration

**ORDER UNDER SECTION 309**  
**OF THE COMPANIES ORDINANCE, 1984**

The Joint Registrar of Companies, Islamabad vide his letter dated November 04, 2003 has sought sanction of the Commission under Section 309 of the Companies Ordinance, 1984 (the “Ordinance”) to present a petition for winding up of M/S Fazal Vegetable Ghee Mills Limited (hereinafter referred to as the “Company”) under Section 305 of the Ordinance. He has averred that the Company has failed to hold its annual general meetings for the calendar year 2002 and 2003 in contravention of Section 158 of the Ordinance, which attracts Clause (b) of Section 305 of the Ordinance. Besides, the Company has also suspended its business for a whole year, which is another ground for winding up of the Company in terms of Clause (c) of Section 305 of the Ordinance.

2. On receipt of the application, a show cause notice dated December 03, 2003 was served on the Company in terms of proviso (b) to Section 309 of the Ordinance highlighting the grounds under which the Joint Registrar has



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approached this Commission to present a petition for winding up of the Company. In order to provide an opportunity of making a representation and of being heard, the case was fixed for hearing on December 22, 2003, on which date no one appeared. In order to give another opportunity to the Company, the case was re-fixed on January 13, 2004. On the said date, Mr. Shair-ur-Rahman Manager Administration of the Company appeared before the Commissioner (CLD) and requested for sometime for presenting a comprehensive plan for rehabilitation of the Company. The case was, therefore, re-fixed on January 20, 2004, on which dated Sheikh Iftikhar Ahmed, Chief Executive of the Company appeared before the Commissioner (CLD) and stated that the management was negotiating with bankers for re-scheduling of their loans and hence, further time may be allowed to the management for submission of revival plan of the Company. Accordingly, the management was given time up to February 29, 2004. However, the Company failed to come up with any proposal for revival of the Company even after lapse of considerable time. In the meantime, the Commission vide its notification No. S.R.O. 162 (1)/2004 dated March 17, 2004 delegated the powers under Section 265 of the Ordinance to me. The case, therefore, was fixed for hearing on March 24, 2004 on which date Mr. Shair-ur-Rehman, Manager Administration appeared before me and argued the case. He did not raise any new grounds and mostly repeated the arguments already advanced at the time of previous hearings. He, however, could not give any concrete proposal indicating the intention of the management to restart the suspended business and to hold the overdue annual general meetings.

3. Before proceeding further, it would be necessary to look at certain important facts regarding this Company. The Company is a listed company incorporated on September 02, 1967 having authorized and paid up capital, as per its latest available audited Balance Sheet as June 30, 2000, of Rs. 20 million



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divided into 2 million ordinary shares of Rs. 10 each. The main objects of the Company, among others, are manufacture and sale of vegetable ghee, cooking oil, laundry soap etc. The Company sought listing on the Karachi Stock Exchange in the year 1971. Its registered office as notified to the Registrar of Companies, Islamabad is situated at Plot 140-154 Sector I9, Industrial Area, Islamabad.

4. The Board of Directors of the Company, as per its Form 29 (Particulars of Director) dated January 11, 2002 filed with the Company Registration Office, Islamabad comprises of the following individuals:

- a) Mr. Sh. Iftikhar Ahmad, Chief Executive
- b) Mrs. Parveen Akhtar, Director
- c) Syed Muhammad Zaheen, Director
- d) Raja Moazzam Ali, Director
- e) Mr. Luqman Ellahi, Director
- f) Mr. Shoukat Majeed, Director
- g) Mr. Asif Saeed, Director

5. The above named Directors were elected in the 33<sup>rd</sup> annual general meeting held on December 26, 2000. The directors appointed Sh. Iftikhar Ahmad as the Chief Executive of the Company for a term of three year commencing from December 26, 2000. The terms of the directors and the Chief Executive have already expired and the management has failed to hold election of directors as required by the Companies Ordinance, 1984.

6. The latest available audited Balance Sheet of the Company is as at June 30, 2001, which indicates that the Company has accumulated losses of Rs. 155.228 million as on that date, which has eroded its total equity of Rs. 20 million. The fixed assets of the Company stood at Rs. 119.419 million, current assets Rs. 116.932 million while current liabilities were Rs. 70.314 million as on



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June 30, 2001. The Company has sustained losses of Rs. 34.467 million and Rs. 19.018 million during the years 2000 and 2001 respectively.

7. Reverting to the arguments of the Company, I have noted that the Company has been seeking extensions in all the previous hearings on the plea of negotiation with the bankers for settlement of loans and submission of a plan for the rehabilitation of the Company. However, after lapse of considerable time, the management has failed to give any proposal in this respect. The non-holding of annual general meeting, which is the only forum where the investors can freely discuss, speak and vote on important matters concerning approval of accounts, appointment of auditors, election of directors etc is a cause of great concern to the Commission. The shareholders of the Company are not aware of the affairs of the Company for more than two years due to non- holding of annual general meetings, non-presentation of accounts therein, non-circulation of quarterly accounts or any other communication from the directors of the Company regarding Company's affairs. During this period, the Company has also committed other irregularities like non-holding of elections of directors, filing of statutory returns under the provisions of the Ordinance etc., and the Chief Executive and directors of the Company have failed to take necessary steps to carry their statutory obligations by rectification of the defaults. In the circumstances, I am of the considered view that the Company and its directors and Chief Executive have completely disregarded the provisions of law and the non-holding of annual general meetings for two consecutive years and suspension of business for a whole year, attract the provisions of Section 305 of the Ordinance.

8. Section 305 of the Ordinance provides the circumstances in which the Court may wind up a company. This includes default in holding any two



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consecutive annual general meetings and suspension of business for a whole year. In the instant case, the Company has failed to hold its two consecutive annual general meetings for the calendar years 2002 and 2003 and has also suspended its business for a whole year. The failure of the management to come up with a concrete proposal for revival of business of the Company and holding of overdue annual general meetings indicates that they have no intention of carrying on business of the Company. Moreover, the management has failed to satisfactorily answer the delay in holding of annual general meetings and suspension of business. Under the circumstances and the facts that the Company has made default in holding of two consecutive annual general meetings and has also suspended its business for a whole year, the Company is liable to be wound up. The winding up of such companies becomes necessary so that available assets of the companies are distributed among the shareholders before such companies become empty shells in hands of inefficient and imprudent management.

9. For the forgoing reasons, I, in exercise of the powers conferred on me under Section 309 of the Ordinance, hereby give sanction to the Joint Registrar, Company Registration Office Islamabad to present a petition for winding up of M/s. Fazal Vegetable Ghee Mills Limited.

**Rashid Sadiq**  
Executive Director (Enforcement)

**Announced.**  
March 30, 2004  
**Islamabad**