

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
(Enforcement & Monitoring Division)  
State Life Building, 7-Blue Area,  
Islamabad

Islamabad, dated 17<sup>th</sup> November, 1999

**ORDER UNDER SECTION 263 OF THE COMPANIES ORDINANCE,  
1984 IN THE MATTER OF M/S. EXTRACTION (PAKISTAN)  
LIMITED**

An application dated 29<sup>th</sup> September, 1999 was received from the Deputy Managing Director of the Investment Corporation of Pakistan complaining that M/s. Extraction (Pakistan) Limited has been on the defaulters list of the Karachi Stock Exchange for the last 2 years and its management has not taken any measure to improve company's performance or to remove defaults. It was requested that SECP may appoint an "Inspector" to determine mismanagement and oppression by the management and company's value upon liquidation. The Commission vide its letter No. 263/3/EM/99 dated 7<sup>th</sup> October, 1999, asked the Investment Corporation of Pakistan to submit proof of holding not less than one-tenth of the total voting powers in the company and also to give an undertaking that ICP will bear the cost of investigation which may be around rupees one hundred thousand (Rs. 1,00,000/-) and to furnish documentary evidence in support of the allegations of mismanagement and oppression of the company, if any.

2. Investment Corporation of Pakistan (ICP) vide its letter dated 30<sup>th</sup> October, 1999 furnished documentary proof of their holdings in the company's shares which comes to 40.78% of the total shares

capital. ICP also gave assurance to bear the cost of investigation as advised by the SECP. As regards furnishing of evidence in support of the alleged mismanagement and oppression, the ICP stated that the company is on defaulters list of the Karachi Stock Exchange for the last 2 years, no improvement is visible and the company has not paid any dividend in the last seven years, which is sufficient evidence that the company is mismanaged and even circumstances justify its winding up. Clause (c) and (g) of section 305 of the Companies Ordinance, 1984 provides that a company which suspends its business for a whole year and a listed company which ceases to be a listed company may be wound-up. ICP has prayed that it may be seen as to whether the company can be saved and if not what would be its realizable upon liquidation.

3. M/s. Extraction (Pakistan) Limited was listed in on the stock exchange the year 1968. The company at present in lying closed for the last two years. There were no sales during the years 1997 and 1998. During the year ended on 30-09-1998, the company suffered from an operating loss of Rs. 0.489 million. However, profit of Rs. 2.261 million was shown for the year due to other income i.e. on sale of company's land. The accumulated loss as on 30-09-1998 stood at Rs. 18.555 million against the paid up capital of Rs. 10.000 million. In other words, the equity of the company has been eroded completely. The current liabilities stood at Rs. 23.880 million against the current assets of Rs. 1.734 million which indicates that the company is heavily indebted. The fixed assets have been stated at Rs. 14.758 million.

4. Section 263 of the Companies Ordinance, 1984 empowers the Commission to appoint an inspector to investigate the affairs of a

company on the application of members holding not less than one-tenth of the total voting powers. Unlike section 265 ibid, where before appointment of an inspector the Commission is required to give the company an opportunity to show-cause against the proposed appointment of inspector, section 263 ibid, does not require a show-cause notice to company or opportunity of hearing before ordering an investigation. The intention of law appears to be that the member of a company holding more than 10% voting powers may get the affairs of the company investigated without any hindrance by complying with the requirements as provided in Section 263 ibid, as and when they desire. The applicant i.e. ICP in this case has given an under-taking to bear the cost of investigation and they hold nearly 50% of the shares capital of the company. I am convinced that in this case in which the company has been put on defaulter list and its management has not managed its affairs so as to keep its units operative is sufficient ground for investigations of affairs of the company so as to determine the followings:

- (i) Mismanagement and oppression if any;
- (ii) Reason for heavy losses suffered by the company in the previous years;
- (iii) Whether or not proper record was kept by the company as required by section 230 and 234 of the Companies Ordinance, 1984;
- (iv) Whether or not an adequate system of internal controls existed so as to prevent misappropriation and misapplication of company's assets;
- (v) What would be the present approximate realizable value of the company's assets upon liquidation and actual liabilities;

- (vi) To report in respect of any laps or other delinquency detected during the course of investigation.
- (vii) Without in any way limiting to the scope of investigation, the Inspector shall conduct investigation on all aspects of the operations of the company and shall after scrutiny of the entire record and books of accounts furnish his report.

5. I accordingly, in exercise of the powers conferred on me under section 263 of the Companies Ordinance, 1984 hereby appoint M/s. Amin & Co., Chartered Accounts, Lahore to act as Inspector to investigate into the affairs of M/s. Extraction (Pakistan) Limited particularly with reference to drawing a statement of assets and liabilities as on the date of this Order and approximate reliable value of assets and actual liability.

6. The Inspector shall submit a detailed report along with supporting documents/evidence to the Commission (in quadruplicate) within 60 days from the date of this order.

**(M. Zafar – ul – Haq Hijazi)**  
**Commissioner (Enforcement)**