

Registered/A.D

No. Co. 263/5/EM/2000-
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
(Monitoring & Enforcement Division)
State *Life* Building, 7-Blue Area
Islamabad

Sub: **ORDER UNDER SECTION 263 OF THE COMPANIES ORDINANCE, 1984 IN
THE MATTER OF M/S. SIND ALKALIS LIMITED**

An application was received from the Investment Corporation of Pakistan (ICP) to the Securities & Exchange Commission of Pakistan, under Section 263(a) of the Companies Ordinance, 1984 requesting the Commission to appoint Inspector to investigate into the affairs of the company (copy enclosed). The Investment Corporation of Pakistan which hold 1054130 shares of Rs.10/- i.e., 14.1% of the share capital of the company and have undertaken to meet the cost of investigation, meet the requirement laid down under Section 263 ibid for requesting such an investigation.

2. The complaint was initially examined, accounts of the company for past few years were analyzed and inconsistencies in operating results were noted (Annexure). Accordingly, a show cause notice was served upon the company on May 1, 2000 fixing the case for hearing on May 15, 2000 which was adjourned on Company's request to May 22, 2000 advising the company to explain the matters raised by the ICP and to state as to why an Inspector may not be appointed to investigate into the affairs of the company.

3. The matters, raised by the ICP in their letter, in brief, are as under :-

- (i) Inadequate system of internal control and inadequate supervision and reporting;
- ii) The questioning of "going concern status" of the company by the auditors;
- (iii) The poor performance of the company due to which company suffered heavy losses in the last few years and accumulated losses eroded the equity of the company completely. The net equity of the company is in negative by Rs. 57.101 million. The accumulated losses of the company as on 30.06.1999 stood at Rs.160 million which is 1.54 times of the share capital of the company and current liabilities exceeds current assets by Rs. 224 million. The gas supply and despatches of goods were stopped by relevant authorities by a number of times. The company was unable to pay lease rentals from, which it appears that management has failed to rectify situation and the existing management does not have the resources to make the company a going concern.

4. The company, in response to the show cause notice vide its letter dated May 20, 2000 took the plea that the terms of office of all the directors is expiring on June 28, 2000 and the motive of the application by the ICP is to influence the results of the forth-coming elections. It was further stated that although the company is suffering from heavy losses yet every effort is being made to rectify the position and to improve internal controls. It further took the plea that what the nominee directors of the ICP and other institutional directors who are in majority on the board of directors of the company, were doing over the past several years. Hearing was also held on 22nd May 2000 when Mirza Adil Beg, Advocate appeared on behalf of the company and repeated almost same arguments as advanced in the written reply. He stressed upon the point that if SECP orders investigation, the terms of

investigation should also include some term about the role, contribution and conduct of nominee directors at the board of this company.

5. The objections raised by the ICP and the reply furnished by the Company have been considered. It is to point out that investigation into the affairs of a company is not a punitive action but infact it is a fact finding exercise and Section 263 of the Companies Ordinance, 1984 provide an easy mechanism for such an exercise if shareholders having more than 10% of the voting powers desires so who have an, inherent right to get the affair of the company investigated. In the circumstances of the case and due to the abnormally bad results for the last few years, I am convinced that the affairs of the company are not being managed properly. I therefore, order investigation into the affairs of the company so as to determine the following:-

- (i) The reasons for the heavy losses to determine whether these are due to mis-management and oppression or otherwise;
- (ii) To see and examine in-depth the matters raised by M/s. A.F. Ferguson & Co., Chartered Accountants in the report addressed to the board of directors of the company vide their letter No. A-1313 dated 24.01.2000.
- (iii) Whether or not proper record was kept by the company as required by section 230 and 234 of the Companies Ordinance, 1984, and what has been the decision making level.
- (iv) Whether or not an adequate system of internal controls exists so as to prevent mis-appropriation and mis-application of company's assets.
- (v) Involvement of institutional directors in decision-making. For this

minutes of meeting of board of directors for some past years should thoroughly be examined to find out the presence of institutional directors and their contributions.

- (vi) Without in any way limiting 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 records and books of accounts furnish his report indicating specifically whether it will be in the interest of the minority shareholders to take the company towards compulsory winding up.

6. I accordingly, in exercise of the powers conferred on me under section 263 of the Companies Ordinance, 1984 hereby appoint M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, Karachi to act as "Inspectors" to investigate into the affairs of M/s. Sind Alkalis Limited.

7. The Inspector shall submit a detailed report to the Commission (in quadruplicate) within 60 days from the date of this order, and will be paid fee of Rs. 100,000/- including out of pocket expenses on submission of the report.

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

Place: Islamabad
Dated: 27-05-2000

SIND ALKALIS LIMITED

	Half-yearly	%age	Half-yearly	%age	Half-yearly	%age	Half-yearly	%age	Half-yearly	%age	Half-yearly	%age	Half-yearly	%age	Half-yearly	%age	Half-yearly	%age
	31-12-1996		30-06-1997		30-06-1997		31-12-1997		30-06-1998		30-06-1998		31-12-1998		30-06-1999		30-06-1999	
Sales	262.456		263.495		525.951		232.03		239.456		471.786		272.487		193.33		465.817	
Gross Profit	47.532	18.1	29.409	11.2	76.941	14.6	10.097	4.4	39.134	16.3	29.037	6.2	42.163	15.5	23.525	12.2	18.638	4
Admn&Selling Exp.	33.431	12.7	33.116	12.6	66.547	12.7	33.538	14.5	32.155	13.4	65.693	13.9	32.824	12	37.393	19.3	70.217	15.1
Finance Exp.	9.48	3.6	27.308	10.4	36.788	7	27.788	12	9.336	3.9	37.124	7.9	14.311	5.3	22.633	11.7	36.944	7.9
Operating Profit	4.344	1.7	6.05	2.3	10.394	2	71.423	30.8	34.767	14.5	36.656	7.8	4.972	1.8	46.607	24.1	51.579	11.1
Net Profit	3.024	1.2	31.932	12.1	28.908	5.5	71.903	31	20.3	8.5	51.603	10.9	6.334	2.3	82.277	42.6	88.611	19

