



Corporate Supervision Department  
Company Law Division

Before Amina Aziz – Director

*In the matter of*

**Plastics Technology Centre**

Number and date of notice: CSD/ARN/174/2015-452-58 dated August 27, 2015  
Date of hearings: October 20, 2015  
Present: Mr. Nadeem Ahmed, Company Secretary  
Mr. Arshad Saleem Faruqi, Director

**ORDER**

**UNDER SECTION 226 READ WITH SECTION 229 AND SECTION 476 OF THE COMPANIES  
ORDINANCE, 1984**

This order shall dispose of the proceedings initiated against the following directors including the Chief Executive (the “respondents”) of **Plastics Technology Centre** (the “Company”):

- |                           |                         |
|---------------------------|-------------------------|
| 1. Ahsan Siddiqui         | 5. M. Naccm Shafi Ahmed |
| 2. Dr. Abdur Rehman Memon | 6. Mian Anjum Nisar     |
| 3. Dr. M. D. Shami        | 7. Zahida Alvi          |
| 4. Feroz Khan             |                         |

These proceedings were initiated through show cause notice (“SCN”) dated August 27, 2015 under the provisions of section 226 read with section 229 and section 476 of the Companies Ordinance 1984 (the “Ordinance”).

2. The brief facts of the case are that examination of annual audited financial statements for the year ended June 30, 2013 (the “Accounts”) of the Company filed with the Registrar of Companies pursuant to provisions of section 242 of the Ordinance revealed that note 11 to the Accounts disclosed ‘Long Term Deposits’ of Rs2,158,100 representing the security deposits received from the students. The auditor in its report dated August 30, 2014 to the members gave a qualified opinion, inter alia, stating that *the company utilized its Long Term Deposits in contravention of section 226 of the Companies Ordinance, 1984*. As the Company, prima facie, failed to keep or deposit the ‘Long-term Deposits’ in a special account with a scheduled bank in accordance with the requirements of section 226 of the Ordinance, the SCN was issued to the respondents requiring them to show cause in writing as to why penal action may not be taken against them in terms of section 229 of the Ordinance.



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3. In response to the SCN, the Company through letter dated September 15, 2015 submitted reply. A brief of reply with reference to the contents of the SCN is given below:

- The Company was facing severe financial crisis during the year 2010 to 2013. Owing to the crisis it only managed to pay net salaries to the staff and other necessary administrative and general expenses, sometimes in installments or after due dates.
- The board of governors, chaired by Secretary Ministry of Textile Industry had decided on November 18, 2013 to affiliate the four years polymer engineering program of the Company with National Textile University (NTU) Faisalabad, as both the institutions are working under Ministry of Textile Industry. NTU has been providing financial assistance through soft loan to the Company since November, 2014 for payment of salaries and other general expenses necessary to run the Company.
- The Company is making all efforts to obtain funds for payments of student's security deposit from Government and also general additional income from our own resources.
- In view of the situation mentioned above, and keeping the Company's financial constraints, it is requested not to impose penalty.

4. A hearing in the matter was held on October 20, 2015 and Mr. Nadeem Ahmed, company secretary and Mr. Arshad Saleem Faruqui, director of the Company appeared before the undersigned. They mainly reiterated their earlier stance and further submitted that previously the Company was having financial support from various corporations, however, the support was seized after affiliation of the Company with the Ministry of Textile Industry. They further stated that no further amounts of security deposits are being received by the Company and the amount has since been static. The Company is pursuing with the ministry for obtaining soft loan for repayment of liabilities. They were advised to provide a timeline for repayment of the liabilities of securities deposits or transferring them to a special account to comply with the legal requirements. However, they stated that it was difficult to give a definite timeline owing to Company's dependence on ministry for funds necessary for repayments of liabilities. Subsequently, through letter dated November 6, 2015, the Company submitted that the board of directors of the Company was reconstituted in November, 2013 and respondents with exception of Mr. M.D. Shami were no more on the board since then. A copy of letter dated October 28, 2015 addressed to the Secretary, Ministry of Textile Industry was also provided whereof the ministry was requested



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to give a time schedule for payment of liabilities of security deposits in special bank accounts as per the law. It was further stated in the attached letter that since November 2013, the Company has not been receiving any security deposits from the students and the liabilities in this regard have been static since then.

5. Before proceeding further, it is necessary to advert to the following relevant provisions of Ordinance:

*Section 226 of the Ordinance provides that no company, and no officer or agent of a company, shall receive or utilise any money received as security or deposit, except in accordance with a contract in writing; and all moneys so received shall be kept or deposited by the company or the officer or agent concerned, as the case may be, in a special account with a scheduled bank:*

*Provided that this section shall not apply where the money received is in the nature of an advance payment for goods to be delivered or sold to an agent, dealer or subagent in accordance with a contract in writing.*

*Section 229 of the Ordinance provides that whoever contravenes or authorises or permits the contravention of any of the provisions of section 226 or section 227 or section 228 shall be punished with a fine which may extend to five thousand rupees and shall also be liable to pay the loss suffered by the depositor of security or the employee on account of such contravention.*

In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 229 of the Ordinance have been delegated to the Director (Corporate Supervision Department).

6. Having gone through the facts of the case, provisions of the law and submissions of the respondents, I have concluded that the provisions of section 226 of the Ordinance have been contravened, as the amounts of security deposits have not been kept by the Company in a special bank account. However, taking cognizance of the financial constraints being faced by the Company and the statement of respondents that the Company has not been receiving any security deposits from students since November 2013, I take a lenient view and conclude the proceedings with a warning to the respondents to be careful in future with regard to compliance with the provisions of the law.



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Before parting with the order, I hereby direct the Company in terms of section 473 of the Ordinance, to take immediate steps and make concerted efforts to transfer the outstanding amount of security deposits to a separate bank account as per requirements of section 226 of the Ordinance.

**Amina Aziz**  
Director (CSID)

**Announced:**  
November 24, 2015  
Islamabad