



Corporate Supervision Department
Company Law Division

Before Amina Aziz – Director

In the matter of

Plastics Technology Centre

Number and date of notice: CSD/ARN/174/2015-459-65 dated August 27, 2015
Date of hearings: October 20, 2015
Present: Mr. Nadeem Ahmed, Company Secretary
Mr. Arshad Saleem Faruqui, Director

ORDER

**UNDER SECTION 227 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
2. Dr. Abdur Rehman Memon
3. Dr. M. D. Shami
4. Feroz Khan
5. M. Naeem Shafi Ahmed
6. Mian Anjum Nisar
7. Zahida Alvi

These proceedings were initiated through show cause notice (“SCN”) dated August 27, 2015 under the provisions of section 227 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 12 to the Accounts disclosed Employees’ Provident Fund Payable (“EPF”) of Rs2,554,154 representing the liability payable by the Company in respect of the EPF. The auditor in its report dated August 30, 2014 to the members gave a qualified opinion, inter alia, stating that *that the Company has made partial payment against Employees’ Provident Fund liability*. It appeared that the Company, prima facie, contravened the provisions of section 227 of the Ordinance, as it failed to deposit or invest the amounts of the EPF within fifteen days, as per requirements of section 227 of the Ordinance. Consequently, 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 payment of liabilities specially those pertaining to the employees of the Company from Government and also generate additional revenues from own resources for early settlement of liabilities.
- 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 Faruqi, 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 the Company has been depositing the EPF amounts into the bank account and the EPF liabilities have been static since November 2013. The Company is pursuing with the ministry for obtaining soft loan for repayment of liabilities and depositing of EPF amounts in the bank account. They were advised to provide a timeline for repayment of the liabilities of the EPF into the specialized bank account to comply with the legal requirements. However, they stated that it was difficult to provide 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,



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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 to give a time schedule for payment of liabilities of EPF in special bank account as per the law. It was further stated in the attached letter that since November 2013, contributions were being regularly deposited to the bank account and the EPF liabilities have since been static. However, the schedule for repayment / deposit of liabilities of security deposits has not yet been submitted.

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

Sub-section (2) of section 227 of the Ordinance provides as under:

Where a provident fund has been constituted by a company for its employees or any class of its employees, all moneys contributed to such fund, whether by the company or by the employees, or received or accruing by way of interest, profit or otherwise from the date of contribution, receipt or accrual, as the case may be, shall either—

(a) *be deposited—*

- (i) *in a National Savings Scheme;*
- (ii) *in a special account to be opened by the company for the purpose in a scheduled bank; or*
- (iii) *where the company itself is a scheduled bank, in a special account to be opened by the company for the purpose either in itself or in any other scheduled bank; or*

(b) *be invested in Government securities; or*

(c) *in bonds, redeemable capital, debt securities or instruments issued by the Pakistan Water and Power Development Authority and in listed securities subject to the conditions as may be prescribed by the Commission.*

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).



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6. Having gone through the facts of the case, submission of the respondents and considering the fact I have concluded that the provisions of section 227 of the Ordinance as the amounts of EPF have not been invested or deposited by the Company in a special bank account in terms of the law. However, taking cognizance of the financial constraints being faced by the Company and the statement of respondents that the Company has been regularly depositing the amount of EPF into special account from November 2013 and the liabilities of EPF has been static since then, 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.

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 or invest the amount of EPF to a separate bank account as per requirements of section 227 of the Ordinance.

Amina Aziz
Director (CSD)

Announced:
November 24, 2015
Islamabad