

Before

Ali Azeem Ikram – Executive Director/Head of Department

In the matter of

Dadabhoy Construction Technology Limited

Date of Hearing	August 21, 2019, October 7, 2020, October 21, 2020, November 23, 2020, December 16, 2020, January 21, 2021 and February 15, 2021
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Order-Redacted Version

Order dated October 28, 2019, was passed by Executive Director (Adjudication-I) in the matter of Dadabhoy Construction Technology Limited. Relevant details are given hereunder:

Nature	Details
1. Date of Action	Show Cause Notice dated April 3, 2019
2. Name of Company	Dadabhoy Construction Technology Limited
3. Name of Individual*	The proceedings were initiated against the Company and its Board of Directors
4. Nature of Offence	Under Section 301 read with Section 304 of the Companies Act, 2017
5. Action Taken	<p>Key findings are given as hereunder:</p> <p>I have gone through the facts of the case, reply furnished and stance taken during the hearing and submissions made by the authorized representative. It was noticed that operations of the Company were suspended since 2016 and steps taken, <i>inter alia</i>, including to deploy funds of the Company for acquisition of plots, were not sufficient demonstration to revive operations of the Company. The Respondents through reply to SCN sought time till close of financial year 2019-2020 to revive the operations of the Company, however, steps taken in this regard to acquire plots were not materialized and, as informed, the Company was in the process to reverse the transaction of acquisition of plot. Moreover, the Company through its aforesaid reply to SCN, <i>inter alia</i>, informed that: (i) due to closure of Dadabhoy Cement Limited, an associated company, in 2012, the products of the Company were not viable in the market, (ii) the management decided to change the prime activity of the Company in 2018 to construct and sell small commercial and residential ventures (iii) additional capital was injected. However, I, have noticed that deployment of earning assets were not materialized and the Company's products were associated company specific, and closure of associated company resulted suspension of business operations of the Company. The Respondents were given adequate time to demonstrate in order to rectify the cause of default mentioned in terms of section 301(m) of the Act, and steps taken in this regard were not</p>

satisfactory and the business operations of the Company, which is being a listed company, were remained suspended since 2016. As per the Accounts of 2018, during the year, the Company recorded a gain of Rs. 46,351,988 on account of disposal of land and building, however, operations of the Company remained suspended. Moreover, as per latest available Accounts of the Company for the year ended June 30, 2019, accumulated loss of the Company stood at Rs. 30,120,000. The chairman's review report as annexed with Accounts of 2019, also highlighted that revival of the Company was not materialized and it was disclosed that:

"During 2017-2018 we had made a very strong effort to revive the operations of your Company and deployed additional capital amounting to Rs. 62.50 million to beef up the capital of the Company and provide the seed money for the new operations. Unfortunately, the country's economy has moved into strong recession starting from the last quarter of 2018. Opportunities, those were being reviewed and being negotiated, have started to fade away and almost nothing could be developed or finalized till August 2019."

Emphasis added:

I have also reviewed relevant note 1.2 to the latest quarterly financial statements for the period ended September 30, 2019, in terms of which it was, *inter alia*, disclosed that: *"During the current period, the Company has incurred after tax loss amounting to Rs. 1.067 million (September 30, 2018: Rs. 2.455 million); whereas its accumulated losses as on the reporting date, reflected as Rs. 31.188 million (June 30, 2019: Rs. 30.120 million). Hence, equity of the Company stands on to negative Rs. 7.960 million (June 30, 2019: negative Rs. 6.892 million). However, management of the Company has prepared this condensed interim financial information on going concern basis due to the following reasons: (i) During the current period, an opportunity to develop earning assets in the Company had developed in the month of August and the management had shared its initial structure with Pakistan Stock Exchange last September. The development has now reached to the agreement stage and it is expected to be considered by the board of directors within next two months. It is also expected that the Company will be having earning assets and profitable operations by the end of third quarter of the financial year of 2019-2020. (ii) The management has also planned to raise the finance from internal and external sources to further improve the financial and operational outlook of the Company"*.

Review of aforesaid disclosures however reveals that the plan of the Company to have earning assets and profitable operations and to raise capital were never materialized and the steps taken in this regard, were not substantiating and demonstrating.

In view of the above discussion, I, am of the view that the grounds on the basis of which winding up proceedings were initiated through the aforesaid SCN for suspension of business since 2016 still exist and no

	<p>evidence was submitted, which could support the case for resumption or revival of business of the listed Company, and it is, therefore, established that the business of the Company remained suspended, attracting the provision of section 301(m) of the Act. I, therefore, in exercise of the powers conferred under 304 of the Act, hereby, authorize the concerned Registrar, Company Registration Office, Karachi, to present a petition of winding up of the Company before the august Court.</p> <p>Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties on the Respondents of the Company in respect of any default, omission, violation of the Act.</p>
6. Penalty Imposed	Nil
7. Current Status of Order	No appeal was filed.