

*Before*

**Abid Hussain - Executive Director/ Head of Department**

*In the matter of*

**Dar es Salaam Textile Mills Limited**

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Date of Hearing

March 20, 2019, August 26, 2019, September 2, 2019, October 6, 2020, November 11, 2020, November 25, 2020, December 16, 2020, January 22, 2021, July 27, 2021, September 3, 2021, November 8, 2021, December 2, 2021, December 14, 2021, January 3, 2022, April 12, 2022, and October 7, 2022

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**Order-Redacted Version**

Order dated October 28, 2019, was passed by Head of Department (Adjudication-I) in the matter of Dar es Salaam Textile Mills Limited. Relevant details are given hereunder:

Nature	Details
1. Date of Action	Show Cause Notice dated August 22, 2016
2. Name of Company	Dar es Salaam Textile Mills Limited
3. Name of Individual*	The proceedings were initiated against the Company.
4. Nature of Offence	Under clause (m) of Section 301 read with clause (b) of Section 304 of the Companies Act, 2017
5. Action Taken	<p>Key findings are given as hereunder:</p> <p>I have reviewed the facts of the case and considered the written and oral submissions made by the Respondents during the course of the proceedings. The matter is summarized in the following manner:</p> <p>(i) the proceedings initiated through the SCN were primarily based on the grounds that operations of the Company remained suspended for more than a year. It was observed that at no point of time, the Respondents showed their willingness to wind-up the Company rather they exhibited their continuous efforts for its revival through various options.</p> <p>(ii) the Respondents are of the view that the Company is generating rental income. As per available information disclosed in its annual audited financial statements for the year ended June 30, 2022, the Company reported rental income of Rs. 11 million (2021: 19.750 million). The Respondents in this regard also submitted that: <i>The leasing option proved to be beneficial and the management strategized with the board to increase /add more warehouses on the</i></p>

	<p><i>premises and changing the main line of business toward real estate. Please note that due to the winding up proceeding initiated by SECP; it was a bit cumbersome to proceed with. In this regard, I am of the view that the Respondents have proceeded to alter MOA/AOA of the Company to change the object clause, which ultimately would have bearing on the instant proceedings.</i></p> <p>(iii) it was informed that the Company paid its liabilities outstanding towards financial institutions and all No Objection Certificates were obtained. The Respondents stated that: <i>The management is proud to say that it cleared all of its debt and paid-off all financial institutions, government and labor dues and trade and market creditors. The Respondents are also of the view that: Since 2015, the board and management have tried to pay down the debt of the highly leveraged company and turn it into a profitable and viable entity.</i></p> <p>(iv) the shareholders of the Company in extra ordinary general meeting held on November 20, 2021 approved alternate business plan. In terms of the said plan, the Company intends to engage in leasing / warehousing and in allied real estate business and for the purpose necessary approvals of the shareholders were obtained. The Respondents, however, through the correspondence have stated that: <i>In our recent board meeting held on 5<sup>th</sup> October 2022, after much discussion, the management determined that the real estate option was no longer viable. The main reason is that in the past year, the market has seen a sharp increase in the price of land. Hence, with the funds left over, the real estate projections do not promise a viable option. Therefore, for the management to revive the entity, we have the following options (1) Merge with another business – Poultry Farm and / or (2) Sell the entity itself or induct a strategic investor.</i></p> <p>(v) the Respondents are also of the view that due to the proceedings of winding-up, the Company is unable to proceed further to implement its revival plan and sought time to implement the plan.</p> <p>Considering the stance of the Respondents and available information, I am of the view that opportunity should be provided to the Respondents for revival of the Company's operations in the best interest of the shareholders. I am of the view that to grant sanction to file winding-up petition at this juncture may jeopardize the interests of its shareholders in particular general public which hold 35% shareholding of the Company. Therefore, I hereby drop the proceeding initiated through the SCN without any adverse action. The Board of Directors of the Company (<b>the Board</b>), through its Chairman; and all members of the Board including Chief Executive of the Company are, however, advised to implement its revival plan <b><u>within one year</u></b> from the date of this order to ensure compliance of the requirements of the Act, and also to report progress on implementation of the revival plan, on quarterly basis to PSX for public dissemination and to the Offsite-II Department, Supervision Division of the Commission for its information. The Respondents are also</p>
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	<p>advised to disclose the said quarterly progress in all the upcoming financial statements of the Company including quarterly, half-yearly and annual financial statements.</p> <p>Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for the imposition of penalties in respect of any default, omission, or violation of the Act.</p>
6. Penalty Imposed	Nil
7. Current Status of Order	No appeal was filed.