



PAKISTAN STOCK EXCHANGE LIMITED

PSX/N-6196

NOTICE

October 13, 2017

Reproduced hereunder the Petition filed by the Commission Under Section 301 read with Section 304 of the Companies Act, 2017 and Rule 75 of The Companies (Court) Rules, 1997, in the matter of **Mohammad Farooq Textile Mills Limited** received from Securities & Exchange Commission of Pakistan vide email dated October 13, 2017, for information of all concerned.
(Copy of the same is also available on our Website www.psx.com.pk).

9306/AS ①

IN THE HIGH COURT OF SINDH AT KARACHI

J.C.M. No. of 2017

In the Matter of Companies Act 2017 And of

ADDITIONAL REGISTRAR OF COMPANIES
Securities & Exchange Commission of Pakistan,
Company Registration Office, 4th Floor,
State Life Building No.2, Wallace Road,
Karachi

-----Petitioner

Versus

Mohammad Farooq Textile Mills Limited
incorporated under the Companies Act 1913
Having Registered Office at
56-B-5th Floor Fareed chamber Abdullah Haroon
Road, Saddar Karachi

-----Respondent

**PETITION U/S 301 READ WITH SECTION 304 OF THE
COMPANIES ACT 2017 READ WITH RULE 75 OF
THE COMPANIES (COURT) RULES 1997**

The petitioner above named most respectfully submits as under:

1. That the address of the petitioner for the service of all notices, process, etc is Securities & Exchange Commission Of Pakistan, Companies Registration Office, 4th Floor State Life Building No 2, Wallace Road Karachi.
2. That the respondent Company was originally incorporated under the Companies Act 1913 with the name and style of M/S Mohammad Farooq Textile Mills Limited on 28-10-1966. The company is public limited company and its shares are quoted on Pakistan Stock Exchange erstwhile Karachi Stock Exchange.

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Copy of Certificate of Incorporation is attached as Annexure A/1.

3. That the registered office of the respondent as per record of the Petitioner is situated at 56-B-5th Floor Fareed chamber Abdullah Haroon Road, Saddar Karachi

A copy of Form 21 is attached herewith as Annexure A/2.

4. That the main object of the Respondent Company as per Memorandum and Articles of Association of the Company is 'to carry on the business of Spinners, weavers, manufacturers, ginners, pressers, packers and balers of cotton, jute, hemp, silk, artificial silk, wool and any other fibrous material, and the cultivation thereof and the business of weaving or otherwise manufacturing, bleaching, printing and selling yarn, cloth, linen and other goods and fabrics whether textile, frebled, netted or lopped asnd of buying, selling and dealing in cotton and other fibrous materials, yarn, cloth, linen and other goods or merchandise made thereof; and generally to carry on the business of cotton spinners and doublers, linen manufacturers, cotton, flax, hemp, jute, silk, artificial silk, wool, yarn and cloth merchants, bleachers and dyers, makers vitriol, bleaching and dyeing materials and to transact all manufacturing or curing and preparing process, and mercantile business that may be necessary or expedient and to purchase and vend raw materials and manufactures articles'.

Copies of the Memorandum and Articles of Association of Respondent Company are attached herewith as Annexures A/3 and A/3-1

5. That the Authorized Capital of the Respondent Company is Rs.250,000,000/- divided into 25,000,000 shares of Rs.10 each. Whereas Paid up Capital of the Company is Rs. 188,892,450/- divided into 18,889,245 shares of Rs.10 each.

A copy of Form-A made up to 31.10.2013 is attached herewith as Annexure A/4

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6. That the Joint Registrar of Companies, company registration office Karachi approached the Securities and Exchange Commission of Pakistan ('the Commission') for grant of sanction in terms of the then clause (b) of section 309 read with clause (c) of section 305 of the then Companies Ordinance 1984 (the Ordinance) to present a petition before this Hon'ble Court for winding up of the Company on the ground that Company has had ceased its operation since October 2010 and its financial statements ("Accounts") for the years ended June 30, 2011 and June 30, 2012 were prepared on the basis of net realizable value and not on going concern basis.
7. That Examination of the Accounts of the Company for the year ended June 30, 2012 further revealed that the auditor of the Company had given adverse opinion on the Accounts due to the following matters:
 - (a) As disclosed in Note 2 of the financial statements where it has been mentioned that the financial statement of the Company have been prepared on net realizable value basis and not on going concern but the management has not conducted any valuation of assets and liabilities to arrive at their realizable value. The management has an opinion that the carrying values of assets and liabilities are closed to their realizable value, therefore there is no such need of the valuation. However, we believe that their realizable value will be significantly different from their carrying amounts in the financial statements. The company is also engaged in compromise agreement with the financial institution as disclosed in note 1.2 which is still under negotiation and not finalized for more than a year for the settlement of their bank liabilities therefore compromise agreement can't be made basis for the valuation.

- (b) As disclosed in note 8, there is an outstanding balance of Rs.49.7 million (has increased to Rs.64.116 million as on June 30, 2013) on account of amounts due to staff provident fund as disclosed in note 9 of the financial statements. Non-payment of the funds liability is a violation of section 227 of the then Companies Ordinance, 1984. The Securities and Exchange Commission of Pakistan vide its letter dated May 24, 2010 had allowed deferment of the payment of Provident Fund which was payable in monthly installments of Rs.0.5 million to the Fund. However, due to liquidity problem the Company could not pay the installments from September 2010 onwards. Further staff gratuity of Rs5.7million was not paid to employees on their full and final settlement.

A Copy of Financial Statements for the year ended as on June 30, 2012 is attached herewith as Annexure A/5

8. That it is further disclosed in the Accounts that the respondent company had shut down its production operations since October 2010, had laid off all its employees and did not even have a Company Secretary and a Chief Financial Officer to take care of legal compliance. The Company had not been able to finalize the compromise agreement with the lender banks and financial institutions and among other options, the board of directors was also considering selling off the Company to third parties.
9. That subsequently the SCN was issued under section 309 (b) read with section 305 (c) of the then Ordinance whereby the Company was called upon to show cause in writing as to why a petition for winding up of the Company may not be presented by the Registrar of Companies to a competent court. In response to the SCN, the chief executive of the Company through letter dated April 27, 2013 submitted reply to the SCN.

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A brief of the reply with reference to the contents of the SCN is given below:

- (i). The Company was facing financial difficulties and had consequently entered into a restructuring arrangement with its secured creditors in 2010. In terms of the arrangement the debts of the Company were to be partially swapped for the excess land of the Company and remaining outstanding amounts were restructured as long terms finance facilities. This restructuring would have enabled the Company to continue with its operations. However, the restructuring agreement was not implemented by the secured creditors, which led to the closure of operations of the Company. The Company is again negotiating a debt asset swap with its secured creditors. This is meant to ensure that the dues of the employees of the Company are settled in full and unsecured creditors are partially paid. The negotiations are at an advanced stage and any action by the Registrar at this stage will disrupt the whole process. As a result of such disruption of negotiations, all assets can be potentially taken over or disposed of by the secured creditors with no hope for the payment of dues of the employees and unsecured creditors.
 - (ii) In this context, the Registrar's request is unwarranted and will seriously prejudice the Company, its employees and unsecured creditors.
 - (iii) The unsecured creditors have already filed winding up proceedings against the Company being JM No. 5, 6 and 7 of 2011 which are pending before the High Court of Sindh and filing of winding up petition by the Registrar will be an exercise in futility.
10. That the Respondent Company had requested to reject the request for winding up of the Registrar.

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A Copy of SCN dated 15.04.2013 and reply to the SCN dated 27.04.2013 are filed herewith as Annexure A/6 and A/6(a)

11. Consequently, a hearing in the matter was fixed on July 1, 2013. At the date of hearing Mr. Salman Hussain Chawla, the nominee director of the NIT and Mr. Farooq Sumar, the chairman of the board of directors of the Company along with his lawyer appeared and reiterated that the Company's earlier written submissions that there had already been three petitions for winding up filed by unsecured creditors in the court, therefore filing winding up petition by the SECP would serve no purpose. He further reiterated that settlement agreement with secured creditors (bankers) was in final stages and the National Bank of Pakistan ("NBP"), which was the main opposition to the settlement, had agreed to reach the settlement through assets swap. He stated that if the Company is wound up through court, it will not be able to fetch good price for the assets and there may not be anything to pay to the unsecured creditors and employees for their outstanding dues including the Provident Fund. Therefore, the settlement agreement with secured creditors was considered to be a better option for the benefit of the employees and the unsecured creditors. He also provided the names of the creditors who filed petitions for winding up against the Company: Suraj Cotton Mills, Equity Textile Mills and Sapphire Textile Mills. In consideration of the submission made by the Company, time till the end of November 2013 was granted to the Company for finalizing their settlement agreements.

12. Subsequently, a hearing in the matter was fixed on February 27, 2014. During the hearing Mr. Farooq Sumar submitted that the settlement agreement with the banks was finalized, however, was yet to be signed and requested for further time. Subsequently, other hearings fixed on March 6, March 19 and April 1, 2014 respectively, were again rescheduled

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based on the request of Mr. Sumar who stated that the Company's CEO, who had to sign the agreements with banks was out of country on account of his cancer treatment. The hearing was held on April 10, 2014 and the Company was represented by Mr. Sumar who requested for further time, which was allowed. Subsequently, the hearing notices dated June 18 and June 26, 2015 issued to the Company at its registered address were returned undelivered. Another hearing opportunity was provided on May 23, 2016, but it was adjourned till June 6, 2016 on the Company's request. Finally, the hearing was held on June 6, 2016 and Mr. Farooq Sumar appeared and stated that all the fixed assets of the Company had been disposed of to settle the loans from Habib Bank Limited, MCB Bank Limited, National Bank Limited and Standard Chartered Bank Limited. He further stated that the aforesaid banks took over the possession of the fixed assets of the Company and sold those to two parties. He further stated that since, there are no chances for revival of business of the Company and agreed that it may be wound up.

13. That the Respondent Company has violated the mandatory provisions of the then Companies Ordinance 1984 ('the Ordinance') and is liable to wound up in terms of section 304 of current Companies Act 2017.
14. That after providing opportunity of hearing as stated above vide its order dated 04.8.2016 has granted sanction to the petitioner to file the present petition for winding up of the respondent Company.

A copy of Order dated 04.08.2016 is attached herewith as Annexure A/7.

15. That this Hon'ble Court has jurisdiction to entertain this Petition as the Registered Office of the Respondent Company is situated at Karachi.
16. That the instant petition has been drafted in accordance with the Companies (Court) Rules, 1997 and the necessary documents are annexed with the Petition.

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17. That in view of the aforementioned circumstances and facts, the Respondent Company is liable to be wound up by this Hon'ble Court under the provisions of the Companies Act, 2017 on the following grounds:

GROUNDS

- A. That the respondent Company has violated the mandatory provisions of (c) of section 305 of the then Companies Ordinance 1984 and has failed to discharge its legal obligations regarding the statutory provisions.
- B. That the Respondent Company has suspended its business since October 2010 and its fixed assets have been disposed of by the banks for settlement of loans and they have no further plan for revival of business.
- C. That Respondent of Chief Executive has explicitly stated during the hearing the Company cannot be revived.
- D. That the respondent Company had not been able to finalize the compromise agreement with the lender banks and financial institutions and among other options, the board of directors was also considering selling off the Company to third parties.
- E. That the Auditor of the Respondent Company has given adverse opinion in Financial Statement for the year ended June 30, 2012.
- F. That Respondent Company has made violation of Section 227 of the then Companies Ordinance 1984.
- G. That the petitioner has obtained sanction from the competent Authority in terms of section 309 of the then Companies Ordinance 1984.

The Petitioner craves the leave of this Honorable Court to urge further/additional grounds at the time of hearing.

PRAYER

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It is therefore, respectfully prayed that this Hon'ble Court in the circumstances and in the interest of justice may be pleased to pass orders:

- I. That the above named Respondent Company be wound up under the provisions of the Act, 2017.
- II. That any person other than the Official Assignee may kindly be appointed as an Official Liquidator since he is already the official Liquidator in numerous companies and in terms of section 315(2) of the Companies Act, 2017, no person can be appointed as an Official Liquidator in more that three (03) companies at one point of time.
- III. Any other relief(s) which this Hon'ble Court deems just and proper in circumstances of the case may please be granted.

IV. Cost of the Petition.

Advocate for Petitioner

[Signature]
For & behalf of Petitioner

MUHAMMAD NAEEM KHAN
Additional Registrar Of Companies
Company Registration Office
Securities & Exchange
Commission Of Pakistan
Karachi.

Karachi:
Dated:

Verification

I, Muhammad Naeem Khan son of Muhammad Ayub Khan, Muslim Adult, Additional Registrar / Incharge Company Registration office, Karachi, Securities and Exchange Commission of Pakistan, duly authorized, do hereby state on oath that the contents of foregoing paras are true and correct to the best of my knowledge, information and belief.

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ASTANT REGISTRAR-V
OATH & IDENTITY BRANCH
HIGH COURT OF SINDH

[Signature]
MUHAMMAD NAEEM KHAN
Additional Registrar Of Companies
Company Registration Office
Securities & Exchange
Commission Of Pakistan
Karachi.

Deponent
CNIC No. 42321-4668408-9
CELL No. 0321-3780223

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To be attached with Affidavit as last Page

IN THE HIGH COURT OF SINDH, KARACHI

Judicial Companies Misc. No: - of 2017

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Addl Registrar of Companies -----

PETITIONER

VERSUS

Mohammad Farooq Textile Mills Limited -----

RESPONDENT

AFFIDAVIT IN SUPPORT OF VERIFICATION OF PETITION

Mr. Muhammad Naeem Khan Son of Muhammad Ayoob Khan, resident of House No.33 Street No.5 Jinnah Abad No.II Siddique Wahab Road Karachi Having Office at 4th Floor State Life Building No.II Wallace Road Off I.I Chundrigar Road Karachi, affirmed on oath before me at Karachi on this 19-SEP-2017 in the 'Identity Section' of this court.

Photograph of Deponent



Signature of Deponent

CNIC: 42301-4663408-9

Cell No. 0321-3780223

Email: NIL

Original CNIC verified by Bar Code Reader

Photo taken at I.S.

Biometric Attendance done at I.S.

Video recording done at I.S.

CNIC verified through NADRA

Finger Prints verified through NADRA

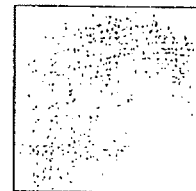
COMMISSIONER FOR TAKING AFFIDAVIT
ASSISTANT REGISTRAR - V
AFFIDAVIT & IDENTITY BRANCH
HIGH COURT OF SINDH

Tag ID: 190917319306

No. of Affidavit: 1/1

Cost received: Rs. 50

Printed on: 19-SEP-2017 at 01:21 pm



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