



PAKISTAN ENGINEERING COMPANY LTD.

Company of State Engineering Corporation, Ministry of
Industries and Production, Government of Pakistan.

May 26, 2021

Ref No. : PECO/Fin/OBC/2021-072

The General Manager Pakistan Stock Exchange Limited Stock Exchange Building Stock Exchange Road Karachi	The Director / Head of Department Surveillance, Supervision and Enforcement Department Securities and Exchange Commission of Pakistan NIC Building, 63 Jinnah Avenue, Blue Area, Islamabad	The Executive Director (Enforcement) Securities & Exchange Commission of Pakistan NIC Building, 63 Jinnah Avenue, Blue Area, Islamabad
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Dear Sir

Sub: **Material Information – Winding up Petition under Sections 31 and 302 of the
Companies Act, 2017 and other enabling provisions thereof**

In accordance with Section 96 of the Securities Act, 2015 and clause 5.6.1 of the Rule Book of Pakistan Stock Exchange Limited, we hereby convey the following material information:

We have recently become aware of a winding up petition filed at Lahore High Court by five different suppliers against the **Pakistan Engineering Company Limited [PECO] (Respondent No. 1)** and other respondent being the SECP. Content of the Petition (copy attached as Annexure-A) and the initial Order Sheet (copy attached as Annexure-B) are very alarming. It is disturbing to note that matters at PECO have reached at such an impasse where suppliers have had to include following in their petition:

- *That Respondent No. 1 is being run and managed by persons who fail to maintain proper and true accounts and/or commit fraud, misfeasance and malfeasance in relation to Respondent No. 1 Furthermore, it is submitted that requisite statutory meetings of the members and Board of Directors are not being held.*
- *The affairs of Respondent No.1 are being conducted and managed in an unprofessional, illegal and mala fide manner, in contravention of various provisions of the Companies Act, 2017, aimed at causing loss to its creditors, including, the Petitioners.*
- *It is submitted that certain cheques issued by Respondent No.1 in favour of the Petitioners, when presented for payment, were dishonored.*
- *It has been specifically admitted in the Reply Letter that Respondent No.1 is not in a position to clear its debts "because of the state of financial duress of this company".*
- *That the substratum of Respondent No.1 has disappeared and there is no reasonable chance of Respondent No. 1 recommencing the business for which it was incorporated.*
- *That Respondent No.1 is unable to pay its debts, has become insolvent and its financial condition has deteriorated beyond any reasonable chances of recovery, let alone conducting business at a profit in the near future.*

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PAKISTAN ENGINEERING COMPANY LTD.

Company of State Engineering Corporation, Ministry of
Industries and Production, Government of Pakistan.

- That proceedings were initiated against Respondent No.1 by the Corporate Supervision Department, Company Law Division, Securities and Exchange Commission of Pakistan (SECP) under Section 257 of the Companies Act, 2017 on account of, inter alia, the aforesaid statutory non-compliances by Respondent No.1 and the factum of the suppliers of Respondent No.1 remaining unpaid.
- That under the facts and circumstances narrated above, it is also just and equitable that Respondent No. 1 be wound up by this Honourable Court in accordance with the provisions of the Companies Act, 2017.

Amongst other matters, the petitioners have also prayed to the Lahore High Court to appoint an Official Liquidator to take over the assets of PECO; and directing its winding up & issuing all other necessary orders to ensure liquidation of the assets of PECO and payment of the amounts due and payable to the Petitioners.

Disclosure form in terms of Section 96 of the Securities Act, 2015 is attached for information and circulation amongst the TRE Certificate Holders of the Exchange.

Thanking you

For and on behalf of
Pakistan Engineering Company Limited

Mian Anwar Aziz
Company Secretary (CS)/Chief Financial Officer (CFO)

Encl.: Disclosure Form u/s 96 of the Securities Act, 2015
PECO Winding-Up petition – Annex A
PECO - Winding-up Order Sheet – Annex B



PAKISTAN ENGINEERING COMPANY LTD.

Company of State Engineering Corporation, Ministry of Industries and Production, Government of Pakistan.

DISCLOSURE FORM IN TERMS OF SECTION 96 OF THE SECURITIES ACT, 2015

Name of Company: PAKISTAN ENGINEERING COMPANY LIMITED
Date of Report: May 26, 2021
Name of Company as specified in the Memorandum: PAKISTAN ENGINEERING COMPANY LIMITED
Company's Correspondence Office: Office # 14, 1st Floor, Ali Plaza, 3-Mozang, Road, Lahore
Contact Information: corporate.affairs@peco.com.pk

Disclosure of Price Sensitive Information by Listed Company

Winding up Petition under Sections 31 and 302 of the Companies Act, 2017 and other enabling provisions thereof

In accordance with Section 96 of the Securities Act, 2015 and clause 5.6.1 of the Rule Book of Pakistan Stock Exchange Limited, we hereby convey the following material information:

We have recently become aware of a winding up petition filed at Lahore High Court by five different suppliers against the **Pakistan Engineering Company Limited [PECO] (Respondent No. 1)** and other respondent being the SECP. Content of the Petition (copy attached as Annexure-A) and the initial Order Sheet (copy attached as Annexure-B) are very alarming. It is disturbing to note that matters at PECO have reached at such an impasse where suppliers have had to include following in their petition:

- That Respondent No. 1 is being run and managed by persons who fail to maintain proper and true accounts and/or commit fraud, misfeasance and malfeasance in relation to Respondent No. 1 Furthermore, it is submitted that requisite statutory meetings of the members and Board of Directors are not being held.
- The affairs of Respondent No.1 are being conducted and managed in an unprofessional, illegal and mala fide manner, in contravention of various provisions of the Companies Act, 2017, aimed at causing loss to its creditors, including, the Petitioners.
- It is submitted that certain cheques issued by Respondent No.1 in favour of the Petitioners, when presented for payment, were dishonored.
- It has been specifically admitted in the Reply Letter that Respondent No.1 is not in a position to clear its debts "because of the state of financial duress of this company".
- That the substratum of Respondent No.1 has disappeared and there is no reasonable chance of Respondent No. 1 recommencing the business for which it was incorporated.
- That Respondent No.1 is unable to pay its debts, has become insolvent and its financial condition has deteriorated beyond any reasonable chances of recovery, let alone conducting business at a profit in the near future.

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PAKISTAN ENGINEERING COMPANY LTD.

Company of State Engineering Corporation, Ministry of
Industries and Production, Government of Pakistan.

- That proceedings were initiated against Respondent No.1 by the Corporate Supervision Department, Company Law Division, Securities and Exchange Commission of Pakistan (SECP) under Section 257 of the Companies Act, 2017 on account of, inter alia, the aforesaid statutory non-compliances by Respondent No.1 and the factum of the suppliers of Respondent No.1 remaining unpaid.
- That under the facts and circumstances narrated above, it is also just and equitable that Respondent No. 1 be wound up by this Honorable Court in accordance with the provisions of the Companies Act, 2017.

Amongst other matters, the petitioners have also prayed to the Lahore High Court to appoint an Official Liquidator to take over the assets of PECO; and directing its winding up & issuing all other necessary orders to ensure liquidation of the assets of PECO and payment of the amounts due and payable to the Petitioners.

The company has duly caused this form / statement to be signed / on its behalf by the undersigned hereunto duly authorized.

For and on behalf of
Pakistan Engineering Company Limited

Mian Anwar Aziz
Company Secretary (CS)/Chief Financial Officer (CFO)



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IN THE LAHORE HIGH COURT, LAHORE

27498
Companies Original No. _____ of 2021

1. **Ishtiaq Steel Industry**
having its office at Mehmood Booti,
Bund Road,
Near Karol Ghati,
Lahore
2. **Inam Steel Re-rolling Mills**
having its office at Godown # 17,
Rahim Road Misri Shah
Lahore
3. **Al-Majeed Ibrahim Steel Industries (Private) Limited**
having its office at 6th Floor,
Nizam Chambers,
7-A, Queen's Road,
Lahore
4. **AKK Enterprises SMC (Private) Limited**
having its office at 6th Floor,
Nizam Chambers,
7-A, Queen's Road, Lahore
5. **Anwar Traders**
having its office at Sheikhpura Road,
Opposite Eurasia Fan,
Gujranwala

...Petitioners

Vs.

1. **Pakistan Engineering Company Limited (PECO)**
having its factory at Kot Lakhpat Industrial Area,
PECO Road,
Lahore
2. **Registrar of Companies**
Securities and Exchange Commission of Pakistan (SECP)
Company Registration Office
3rd and 4th Floor, Associated House,
7 Egerton Rd,
Garhi Shahu
Lahore

...Respondents

Winding Up Petition under Sections 301 and 302 of the Companies Act, 2017
and other enabling provisions thereof

It is respectfully submitted as follows:

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1. That the Petitioner Nos. 1 to 5 are suppliers in the primary metals manufacturing industry in Pakistan. Petitioner No. 1 has an office at Mehmood Booti, Bund Road, Near Karol Ghati, Lahore, Petitioner No. 2 has an office at Godown # 17, Rahim Road, Misri Shah, Lahore, Petitioner No. 3 and Petitioner No. 4 have offices at 6th Floor, Nizam Chambers, 7-A, Queen's Road, Lahore and Petitioner No. 5 has an office at Sheikhpura Road, Opposite Eurasia Fan, Gujranwala. Petitioner No. 1 is a registered partnership firm, Petitioner No. 3 and Petitioner No. 4 are companies incorporated under the laws of Pakistan and Petitioner No. 2 and Petitioner No. 5 are sole proprietorships. Mr. Mian Muhammad Ahmad Sethi and Mr. Shahid Iqbal are officers of Petitioner Nos. 3 and 4 respectively and have been duly authorized by the said Petitioners to institute this Petition, sign and verify pleadings and do all other acts, deeds and things, necessary and incidental to the filing of this Petition. They are fully conversant with the facts of the case and can depose to the same.

[Copies of Board Resolutions of Petitioner Nos. 3 and 4 are attached herewith as Annexure A]

2. That the Respondent No. 1 is a company incorporated under the laws of Pakistan, having a factory situated at Kot Lakhpat Industrial Area, PECO Road, Lahore. The Respondent No. 1 is engaged in the manufacturing and sale of engineering products. As per the last Form A filed by Respondent No. 1, the authorised share capital of Respondent No. 1 is Rs. 100,000,000/- (Rupees One Hundred Million Only).

[Copies of last Form A filed by the Respondent No. 1, Annual Report for the year ended June 30, 2016 and Annual Report for the year ended June 30, 2018 of the Respondent No. 1 are attached herewith as Annexures B, C and D respectively]

3. That the Petitioners, on the request of the Respondent, made through a number of Purchase Orders issued from time to time, supplied various materials to Respondent No. 1 (the "Supplies"), which were duly received by Respondent No. 1 as is evident from the Delivery Challans issued by the Petitioners as well as the documents issued

by Respondent No. 1 certifying that the Supplies were received in full from the Petitioners and the same were of the requisite quality. In this regard, various Sales Tax Invoices were also issued by the Petitioners, from time to time, specifying the amount payable by Respondent No. 1 to the Petitioners with respect to the Supplies.

[Copies of Purchase Orders, Commercial Invoices, Delivery Challans, documents issued by Respondent No. 1 and Sales Tax Invoices are attached herewith as Annexure E]

4. That most of the payments for the Supplies made to Respondent No. 1 by the Petitioners were required to be paid by Respondent No. 1 to the Petitioners three (03) months after receipt of the said materials, in terms of Purchase Orders issued by Respondent No. 1. In this regard, it is specifically averred that except some partial payments, the amounts due to the Petitioners have not been paid by Respondent No. 1, despite repeated requests and reminders by the Petitioners. Furthermore, it is submitted that certain cheques issued by Respondent No. 1 in favour of the Petitioners, when presented for payment, were dishonored.

[Copies of Bank Statements of the Petitioners and cheques are attached herewith as Annexure F]

5. That the Supplies were duly availed and utilized by Respondent No. 1 in terms of the contractual arrangement with the Petitioners. Respondent No. 1 was under a contractual obligation to pay the amounts owed by them to the Petitioners in accordance with the terms and conditions of their contractual arrangement. However, Respondent No. 1 has consistently willfully failed/defaulted in fulfilling its payment obligations towards the Petitioners despite the flexible and cooperative attitude adopted by the Petitioners, which has resulted in the aggregation of considerable sums which are due and payable by Respondent No. 1 to the Petitioners.
6. That according to the records maintained by the Petitioners, at present, the total amount outstanding and payable by Respondent No. 1 to the Petitioners is Rs.

-4-

150,538,885/- (Rupees One Hundred Fifty Million Five Hundred Thirty-Eight Thousand Eight Hundred Eighty-Five only) (the "Outstanding Amount"), which Respondent No. 1 has consistently failed to pay. It is respectfully submitted that breakdown of the outstanding amounts due and payable by Respondent No. 1 to each of the Petitioners is as under:

Petitioner	Outstanding Amount
Petitioner No. 1	Rs. 77,782,049/-
Petitioner No. 2	Rs. 17,926,016/-
Petitioner No. 3	Rs. 14,906,000/-
Petitioner No. 4	Rs. 16,190,975/-
Petitioner No. 5	Rs. 23,733,845/-
Total	Rs. 150,538,885/-

[Copies of Requisite Ledger(s) of each of the Petitioners are attached herewith as Annexure G]

7. That on account of Respondent No. 1's willful default in fulfillment of its obligations and discharge of liabilities owed to the Petitioners in a timely manner as per the agreed contractual arrangement, the Petitioners have also suffered massive losses and damages.
8. That having failed to persuade Respondent No. 1 to meet its payment obligations and keeping in view the financial condition of Respondent No. 1, the Petitioners and another were left with no other option but to serve upon Respondent No. 1 a notice of demand dated December 01, 2020 under section 302 (1) (a) of the Companies Act, 2017 (the "Notice"), calling upon Respondent No. 1 to make payment of the Outstanding Amount owed by Respondent No. 1 to the Petitioners and another within a period of thirty (30) days of receipt of the Notice.

[Copy of the Notice is attached herewith as Annexure H]

9. That Respondent No. 1 replied to the Notice vide a reply letter dated December 14, 2020 (the "Reply Letter") received on the letterhead of Respondent No. 1; however,

signed by individuals without any official designation. It is specifically averred that all amounts due and payable to the Petitioners have been admitted to be due and payable in the Reply Letter and no objection to any such amount has been raised. Furthermore, it has been specifically admitted in the Reply Letter that Respondent No. 1 is not in a position to clear its debts "because of the state of financial duress of this company."

[Copy of the Reply letter is attached herewith as Annexure I]

10. That vide letter dated January 14, 2021, the Petitioners responded to the Reply letter and only as a gesture of good will, despite the fact that the mandatory period of notice in terms of section 302 (1) (a) of the Companies Act, 2017 had lapsed, the Petitioners gave Respondent No. 1 a further period of seven (07) days to make payment of the Outstanding Amount.

[Copy of the letter dated January 14, 2021 is attached herewith as Annexure J]

11. That despite lapse of the aforesaid time period, Respondent No. 1 has failed to pay the Outstanding Amount or to secure it to the reasonable satisfaction of the Petitioners, and is, therefore, deemed to be unable to pay its debts, in terms of Section 302 of the Companies Act, 2017.

12. That according to the information of the Petitioners, the affairs of Respondent No. 1 are being conducted and managed in an unprofessional, illegal and mala fide manner, in contravention of various provisions of the Companies Act, 2017, aimed at causing loss to its creditors, including, the Petitioners.

13. That Respondent No. 1 is being run and managed by persons who fail to maintain proper and true accounts and/or commit fraud, misfeasance and malfeasance in relation to Respondent No. 1 Furthermore, it is submitted that requisite statutory meetings of the members and Board of Directors are not being held.

14. That the substratum of Respondent No. 1 has disappeared and there is no reasonable chance of Respondent No. 1 recommencing the business for which it was incorporated.
15. That Respondent No. 1 is unable to pay its debts, ~~has become insolvent~~ and its financial condition ~~has deteriorated beyond any reasonable chances of recovery~~, let alone conducting business at a profit in the near future.
16. That proceedings were initiated against Respondent No. 1 by the Corporate Supervision Department, Company Law Division, Securities and Exchange Commission of Pakistan (SECP) under Section 257 of the Companies Act, 2017 on account of, *inter alia*, the aforesaid statutory non-compliances by Respondent No. 1 and the factum of the suppliers of Respondent No. 1 remaining unpaid. Subsequently, vide Investigation Order dated March 24, 2021, the Corporate Supervision Department, Company Law Division, SECP, has appointed a team of officers of SECP as inspectors to investigate the affairs of Respondent No. 1 pursuant to Section 257 of the Companies Act, 2017, which fact has been disclosed by Respondent No. 1 to all concerned in terms of Section 96 of the Securities Act, 2015 and clause 5.6.1 of the Rule Book of Pakistan Stock Exchange Limited, for circulation amongst the TRE Certificate Holders of the Pakistan Stock Exchange Limited vide Respondent No. 1's letter and disclosure form dated April 02, 2021.
17. That under the facts and circumstances narrated above, it is also just and equitable that Respondent No. 1 be wound up by this Honourable Court in accordance with the provisions of the Companies Act, 2017.

In view of the above, it is most respectfully prayed that this Honourable Court may be pleased to pass the following orders:

- a) Admitting this Petition;
- b) Appointing an Official Liquidator to take over the assets of Respondent No. 1;
- c) Granting the necessary directions for advertisement and notices;
- d) Directing winding up of Respondent No. 1 under the direction of this Honourable Court, and issuing all other necessary orders to ensure liquidation of the assets of Respondent No. 1 and payment of the amounts due and payable to the Petitioners;
- e) Appointing a Local Commission to take inventory of the assets of the Respondent No. 1 and passing the necessary orders to ensure that the assets of Respondent No. 1 are not disposed of or alienated during the pendency of this Petition; and

Any other relief which this Honourable Court may deem appropriate under the facts and circumstances of the case may also be allowed

Costs of the Petition may also be granted.

M/s Anwar Traders
Opp: Ureasia SXP Road.
Guramwala



PETITIONERS



Muhammad Shahid Rashid
Advocate Supreme Court

Furqan Naveed
Advocate High Court

Manahil Khan
Advocate High Court
Nawa-e-Waqt House,
4 - Shahrah-e-Fatima Jinnah,
Lahore

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Form No.HC.JD/C-121
ORDER SHEET
IN THE LAHORE HIGH COURT, LAHORE
JUDICIAL DEPARTMENT

C.O. No.27498 of 2021

Ishtiaq Steel Industry etc. Versus Pakistan Engineering Council, etc.

Sr. No. of Order/ Proceeding	Date of Order/ Proceeding	Order with Signature of Judge, and that of parties or counsel, where necessary
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26.04.2021 M/s. Minahil Khan and Furqan Naveed, Advocate for the Petitioners.

The Petitioners/Ishtiaq Steel Industries and others have filed this Petition for winding up of the Respondent No.1/Pakistan Engineering Company Ltd. under Sections 301 and 302 of the Companies Act, 2017 (the "Act") on the ground that the Respondent No.1 is unable to pay its debts.

2. Ms. Manahil Khan, Advocate for the Petitioners submits that the Petitioners No.1 to 5 are suppliers in the primary metals manufacturing industry in Pakistan, whereas the Respondent No.1 engaged in the manufacturing and sale of engineering products. She adds that on the request of the Respondent No.1, the Petitioners supplied various materials through various purchase orders, delivery challans and other documents which show that the supplies were received by the Respondent No.1. Ms. Manahil Khan, Advocate also submits that the Respondent No.1 was bound to pay the liabilities to the Petitioners within three (03) months after

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receipt of such material but the Respondent No.1 remained fail to do so Further states that prior to filing of this Petition, the Petitioners issued notices to the Respondent, which were replied but still no payment has been made. Therefore, under Section 301(f) of the Act the Respondent No.1/Company is liable to be wound up due to non-payment of its debts. She also adds as per information the affairs of Respondent No.1 are being conducted and managed in an unprofessional, illegal and malafide manner, in contravention of various provision of the Act, which causing loss to is creditors including the Petitioners. Further averred that the substratum of Respondent No.1 has disappeared and there is no reasonable chance of Respondent No.1 recommencing the business for which it was incorporated. Ms. Manahil Khan states that the Respondent No.1 is unable to pay its debts, has become insolvent and its financial condition has deteriorated beyond any reasonable chances of recovery. She further argues that the proceedings were initiated against the Respondent No.1 by the Corporate Supervision Department, Company Law Division, SECP, under Section 257 of the Act on account of inter alia its non-compliance. She relied on the judgment cited as "Sabir Ahmad and others v. Najma Sugar Mills" (2005 CLD 151) whereby the Petition under Section 305 of the Companies Ordinance, 1984 (the "Ordinance") was

h. Q. Q.
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allowed and Official Liquidators with specific directions for compliance were appointed by holding that:

"that on the basis of the figuration, company was no longer a viable project and the substratum had gone and that a statutory notice having been given, there was presumption of truth attached regarding the inability to pay which the company had failed to discharge the onus to rebut."

3. Notice be issued to the Respondents for 26.05.2021.

The Respondent No.2/Securities and Exchange Commission of Pakistan (the "SECP") shall file report to inform the Court about the action taken by it as mentioned in Paragraph No.16 of the Petition.

C.M. No.01 of 2021

4. Notice for the above said date. In the meanwhile, the Respondent No.1 is restrained to dispose of any of its assets, till the next date of hearing.


C.M. No.02 of 2021

5. Dispensation sought for is allowed subject to all just and legal exceptions. C.M. stands disposed of.

Copy dasti on payment of usual charges.


(JAWAD HASSAN)
JUDGE


ZIA UR REHMAN


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