

**THE HIGH COURT OF SINDH, KARACHI**  
[COMPANY BENCH]

**J.C.M. No. 37 of 2024**  
**In the matter of the Companies Act, 2017**

**And**  
**of (a) Shahbaz Garments (Pvt.) Ltd.**  
**(b) Industrial Clothings Apparel (Pvt.) Ltd.**  
**(c) Protective Products (Pvt.) Ltd.**

Petitioners : Shahbaz Garments (Pvt.) Ltd.,  
Industrial Clothings (Pvt.) Ltd. and  
Protective Products (Pvt.) Ltd.,  
through Mr. Mikael Azmat Rahim  
Advocate.

On Court notice : Securities and Exchange Commission  
of Pakistan through Syed Ebad-ur-  
Rehman, Advocate.

Date of hearing : 20-10-2025

Date of Announcement : 02-03-2026

**ORDER OF SANCTION OF SCHEME**

**Adnan Iqbal Chaudhry J.** - The Petitioners are private companies limited by shares incorporated in Pakistan with registered offices at Karachi. The Petitioners seek sanction of a Scheme of Arrangement under section 282 read with sections 279 to 281 of the Companies Act, 2017 [**the Act**]. Petitioners 1 and 2 fall in the category of Large Sized Companies under the Third Schedule to the Act. Therefore, in view of SRO 840(I)/2017 dated 17.08.2017 issued under section 285(8) of the Act, the instant petition lies before the Company Bench of the High Court.

2. The principal line of business of Petitioner No.1 is the manufacturing and sale of industrial gloves, fabrics and yarns. Principal line of business of Petitioner No.2 is the manufacturing, trading and distribution of personal protective equipment. Principal line of business of Petitioner No.3 is the manufacturing and sale of

safety clothing and garments, however, it has since ceased manufacturing operations and has sold its fixed assets.

3. The Scheme of Arrangement (Annexure H to the petition) proposes to merge/amalgamate Petitioners 2 and 3 with Petitioner No.1 such that:

- (a) the entire undertaking and business of Petitioners 2 and 3, including all assets, rights, liabilities and obligations, shall stand transferred to and vest in Petitioner No.1;
- (b) all shares in the issued and paid-up share capital of Petitioners 2 and 3 shall stand cancelled and the Petitioners 2 and 3 shall stand dissolved without winding-up;
- (c) in lieu of cancelled shares, the shareholders of Petitioners 2 and 3 shall receive monetary settlement from Petitioner No.1 over a period of 5 years on the basis of a swap ratio determined and approved by the Board of each Petitioner;
- (d) consequent to said amalgamation, shares of Petitioner No.2 held by Petitioner No.3, and shares of Petitioner No.1 held by Petitioner No.2, shall also stand cancelled;
- (e) as a corporate reorganization, certain number of shares of Petitioner No.1 held by certain shareholders, shall also be cancelled in lieu of a monetary settlement from Petitioner No.1 payable over a period of 5 years;
- (f) consequent to cancellation of certain shares of Petitioner No.1 as aforesaid, the issued and paid-up share capital of Petitioner No.1 shall stand reduced from Rs. 4,611,920 to Rs. 2,292,920;
- (g) consequent to the cancellation of certain shares of Petitioner No.1 as aforesaid, the Petitioner No.1 will become a wholly-owned subsidiary of Midas Safety Pakistan Holdings Ltd.

4. By order dated 12.12.2024 passed under section 282(1) of the Act, the Court ordered separate meetings of shareholders and secured creditors of the Petitioners to vote on the Scheme of Arrangement. The Chairman appointed for each meeting has filed his report under Rule 57 of the Companies (Court) Rules, 1997.

5. Heard learned counsel and perused the record.

6. It is pleaded in the amended memo of petition that the proposed merger is exempt from Competition Commission's pre-merger clearance by virtue of Regulation 5(1)(ii) of the Competition (Merger Control) Regulations 2016. No one has come forth to contest that submission. In these circumstances, I am of the view that it is not necessary for this Court to examine whether the proposed merger requires the pre-merger clearance of the Competition Commission. The reason for that follows.

7. As per section 11(2) of the Competition Act, 2010, where undertakings intend to merge, and trigger the pre-merger notification thresholds stipulated in the regulations, they shall apply to the Competition Commission for clearance of the intended merger. The pre-merger notification thresholds are set-out in Regulation 4(2) & (3) of the Competition (Merger Control) Regulations, 2016; whereas, Regulation 5 exempts certain merger transactions from section 11(2) of said Act. However, section 11(12) of the Competition Act goes on to provide that where an undertaking has consummated the merger without complying with the provisions of sub-sections (1) to (4), the Competition Commission can nonetheless make appropriate orders under section 31 of said Act. Thus, it follows from section 11(12) of the Competition Act that where the undertakings were required to obtain clearance of the merger from the Competition Commission but did not do so, and the merger is sanctioned by the Company Court under sections 279 and 282 of the Companies Act, such sanction does not prevent the Competition Commission from taking action against the undertakings under section 31 of the Competition Act.

8. *Prima facie*, the requirements of section 282(2) of the Act were fulfilled in calling separate meetings of shareholders of each Petitioner and secured creditors of Petitioners 1 and 2 to vote on the Scheme of Arrangement. The Petitioner No.3 did not have secured creditors.

9. Reports by Chairmen of the respective meetings, submitted under Rule 57 of the Companies (Court) Rules, 1997, reflect the following:

- (a) meeting of shareholders of Petitioners 1 to 3, held separately on 27.12.2024, was attended by shareholders representing 100% of the shares issued, all of whom voted to approve the Scheme and passed a special resolution accordingly;
- (b) meeting of secured creditors of Petitioners 1 and 2, held separately on 20.02.2025, was attended by 100% of them, all of whom voted in favor of the Scheme. NoCs of those secured creditors are also on record.

Thus, the Scheme of Arrangement was approved by the requisite majority of three-fourths of the value of shareholders and secured creditors respectively who were present and voting at the meeting, thereby fulfilling the requirement of section 279(2) of the Act.

10. The reduction in paid-up share capital of Petitioner No.1 under the Scheme by way of a corporate reorganization, was an aspect highlighted to the shareholders and secured creditors of Petitioner No.1 in the statement under section 281(1)(a) of the Act which accompanied the notice issued for holding the extraordinary general meeting of the company and the meeting of secured creditors of the company. Resolution passed by shareholders of Petitioner No.1 approving the Scheme also approved therewith the said corporate reorganization, thus constituting resolution for the purposes of section 89 of the Act for reduction in share capital. The resolution by the secured creditors of Petitioner No.1 also approved the said corporate reorganization and none objected to the reduction in share capital.

11. As per the auditor's report on the financial statements of the Petitioners for the period ended 30-06-2024, books of accounts of the Petitioners are properly maintained, and the financial statements are in accord with the books of accounts.

12. The Scheme of Amalgamation is for viable reasons, *inter alia* that the amalgamation would increase the asset base of the surviving company, reduce administrative costs, consolidate operations capacity, increase risk absorption capacity and rationalize tax reporting. It is settled law that where a Scheme of Arrangement approved by the requisite majority appears to be fair, just, reasonable and *prima facie* fulfils statutory requirements, then the Court does not sit in appeal over the commercial wisdom of the Scheme.<sup>1</sup>

13. The petition was advertised pursuant to Rule 19 of the Companies (Court) Rules, 1997, however, no one came forth to oppose sanction of the Scheme. The Petitioners affirm that there are no investigation proceedings pending against them under sections 256 to 258 of the Act. The Securities & Exchange Commission of Pakistan [SECP] does not dispute that fact. However, comments of the SECP highlight that Petitioners have not filed annual audited accounts with the Registrar of Companies for certain years. For such non-compliance, the Registrar of Companies may take action against the Petitioners as per the Act. That being said, there is no cause to withhold sanction to the Scheme of Arrangement.

14. Therefore, the Scheme of Arrangement filed with the petition as **Annexure 'H'** is hereby sanctioned with the following order:

- (i) That all the property, rights and powers of Petitioner No.2, Industrial Clothings (Pvt.) Ltd. [ICPL] and Petitioner No.3, Protective Products (Pvt.) Ltd. [PPPL], as per their audited financial statements as at June 30, 2024, and all the other property, rights and powers of ICPL and PPPL, be transferred

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<sup>1</sup> *Beach Luxury Holdings (Pvt.) Ltd. & others* (2025 CLD 1438); *Paramount Spinning Mills* (2020 CLD 1443); *IGI Insurance Ltd.* (2018 CLD 572); *Gadoon Textile Mills Ltd.* (2015 CLD 2010).

without further act or deed to Petitioner No.1, Shahbaz Garments (Pvt.) Ltd. [SGPL], and accordingly the same shall, pursuant to section 282(3) of the Companies Act 2017, be transferred to and vest in SGPL for all the estate and interest of ICPL and PPPL therein but subject nevertheless to all charges now affecting the same; and

- (ii) That all the liabilities and duties of ICPL and PPPL be transferred without further act or deed to SGPL, and accordingly the same shall pursuant to section 282(3) of the Act, be transferred to and become the liabilities and duties of SGPL; and
- (iii) That all proceedings now pending by or against ICPL and PPPL be continued by or against SGPL; and
- (iv) That shares allotted by ICPL and PPPL, shares of ICPL held by PPPL, and shares of SGPL held by ICPL, shall be cancelled as per the Scheme, and shareholders of ICPL and PPPL shall be paid monetary settlement by SGPL as per the Scheme; and
- (v) That shares of SGPL held by 'SGPL Arrangement Shareholders', to the extent of 'SGPL Arrangement Shares', shall be cancelled, and said shareholders shall be paid monetary settlement by SGPL as per the Scheme; and
- (vi) That consequential reduction in paid-up share capital of SGPL by an amount of Rs. 2,320,000 i.e. from Rs. 4,611,920 (comprising 922,384 shares of Rs. 5 each) to Rs. 2,291,920 (comprising 458,384 shares of Rs. 5 each) is hereby confirmed; and
- (vii) That for registering the reduction in share capital as required by section 93 of the Act, SGPL shall deliver a certified copy of this order including the special resolution dated 27.12.2024 passed by it to the Registrar of Companies within 7 days of this order; and
- (viii) That SGPL do within 7 days after the date of this order cause a certified copy of this order to be delivered to the Registrar of Companies for registration, and on such certified copy being so delivered, the scheme shall be effective and ICPL and PPPL shall stand dissolved without winding-up. The Registrar of Companies shall place all documents relating to ICPL and PPPL and registered with him on the file kept by him in

relation to SGPL, and the files relating to said three companies shall be consolidated accordingly; and

- (ix) That any person interested shall be at liberty to apply to the Court in the above matter for any directions that may be necessary.

Petition allowed as above.

**JUDGE**

Karachi:  
Signed on: 28-02-2026

Announced by: