

THE HIGH COURT OF SINDH, KARACHI
[COMPANY BENCH]

J.C.M. No. 45 of 2022

In the matter of the Companies Act, 2017

And

of (a) Reliance Cotton Spinning Mills Ltd.

(b) Channel Holdings (Pvt.) Ltd.

(c) Resource Corporation (Pvt.) Ltd.

(d) ATMZ Company (Pvt.) Ltd.

(e) Synergy Holdings (Pvt.) Ltd.

(f) Glory (Pvt.) Ltd.

(g) Glitter (Pvt.) Ltd.

(h) Lavender (Pvt.) Ltd.

(i) Acrylic (Pvt.) Ltd.

Petitioners : (a) Reliance Cotton Spinning Mills Ltd.
(b) Channel Holdings (Pvt.) Ltd.
(c) Resource Corporation (Pvt.) Ltd.
(d) ATMZ Company (Pvt.) Ltd.
(e) Synergy Holdings (Pvt.) Ltd.
(f) Glory (Pvt.) Ltd.
(g) Glitter (Pvt.) Ltd.
(h) Lavender (Pvt.) Ltd.
(i) Acrylic (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 : 10-03-2025

Date of order : 10-03-2025

ORDER OF SANCTION OF SCHEME

Adnan Iqbal Chaudhry J. - The Petitioners are companies limited by shares incorporated in Pakistan with registered offices at Karachi. Petitioner No.1 is a public listed company. Petitioners 2 to 9 are private companies. Petitioners 2 to 5 are also shareholders of the Petitioner No.1. Under section 279 of the Companies Act, 2017 [the Act], the Petitioners seek sanction of a Scheme of Arrangement with a class of their respective members who are individuals belonging to a family [‘the family’]. As a listed company, the

Petitioner No.1 is classified as a Public Interest Company in the Third Schedule to the Act. Therefore, *vide* SRO 840(I)/2017 dated 17.08.2017 issued under section 285(8) of the Act, a petition under section 279 of the Act lies before the Company Bench of the High Court.

2. The principal line of business of the Petitioner No.1 is the manufacture and sale of yarn. The principal line of business of the Petitioners 2 to 5 is to act as holding companies. Petitioners 6 to 9 have been incorporated to give effect to the Scheme of Arrangement and the principal line of business of these companies is investment in securities.

3. The Scheme of Arrangement proposes to reorganize a portion of the paid-up share-capital of the Petitioner No.1 such that:

- (a) 3,202,873 shares of the Petitioner No.1 held by the Petitioners 2 to 5 and individual sponsors of the family shall be cancelled, and in lieu thereof the Petitioner No.1 shall allot corresponding number of shares to the Petitioners 6 to 9 (as per Annexure 'A' and 'B' of the Scheme), thus without any reduction in the paid-up share capital of the Petitioner No.1;
- (b) on receiving shares of the Petitioner No.1 as aforesaid, each of the Petitioners 6 to 9 shall allot 100,000 of its shares to one out of four groups of the individual sponsors of the family (as per Annexure 'C' to 'F' of the Scheme);
- (c) as a result of cancellation of shares of the Petitioner No.1 held by the Petitioners 2 to 5, the latter's assets/investments shall stand reduced accordingly.

4. By order dated 01.12.2022 passed under section 279(1) of the Act, the Court ordered separate meetings of members of the Petitioners and a meeting of secured creditors of the Petitioner No.1 to vote on the Scheme of Arrangement. The Chairman appointed for

each meeting has filed report under Rule 57 of the Companies (Court) Rules, 1997.

5. Heard learned counsel and perused the record.

6. Reports of the Chairmen of the respective meetings, submitted under Rule 57 of the Companies (Court) Rules, 1997, are to the following effect:

- (i) Meeting of shareholders of Petitioner No.1, held on 27.12.2022, was attended by shareholders representing 9,073,712/- shares (88.162%) out of 10,292,000/- all of whom approved the Scheme of Arrangement. Thus, the Scheme was approved by 100% of the value of shareholders present and voting at the meeting. A special resolution was passed accordingly.
- (ii) Separate meetings of shareholders of the Petitioners 2 to 9 were also held on 27.12.2022 which were attended by 100% of their shareholders, all of whom voted in favor of the Scheme and passed special resolutions accordingly.
- (iii) Meeting of secured creditors of the Petitioner No.1 was held on 15.03.2023 where 100% of the creditors who attended the meeting gave consent to the Scheme. NoCs of the secured creditors are on the record.

7. Apparently, the Scheme of Arrangement was approved by more than the requisite majority of three-fourths of the value of shareholders of each Petitioner present and voting at the meeting, so also by the requisite majority of secured creditors of Petitioner No.1. Therefore, the requirement of section 279(2) of the Act is fulfilled. The notices calling the respective meetings had also fulfilled the requirements of section 281(1) of the Act.

8. As per the auditor's report on the financial statements of the Petitioners for the period ended 30-06-2022, the books of accounts of the Petitioners are properly maintained, and the financial statements are in accord with the books of accounts. There does not appear to be investigation proceedings pending against the Petitioners under sections 256 to 258 of the Act. The petition was advertised pursuant to Rule 19 of the Companies Court Rules, 1997, however no one has come forth to oppose the petition. Comments of the Securities & Exchange Commission of Pakistan [SECP] are on the record, however those do not bring forth any reason to withhold sanction to the Scheme of Arrangement.

9. The Scheme is a reorganization of shares held in the Petitioner No.1 by group companies and family members. The shares that are proposed to be cancelled in the process are those held by the Petitioners 2 to 6 and individual sponsors of the family, all of whom have voted in favor of the Scheme. Said shares do not appear to be under any charge or pledge. Of the benefits mentioned in the Scheme it is stated:

"Better Management of Shareholding of Reliance by the Sponsors.

The Arrangement will enable the individuals comprising the Sponsors to exercise better management of the shareholding of Reliance through the Group Companies, which will reduce the likelihood of disputes between such members and their successors that could otherwise adversely and detrimentally impact Reliance. Globally, holding companies are often set up to facilitate and enable a more structured management of shareholding positions, which will be possible as a consequence of the Arrangement. Furthermore, the individuals comprising the Sponsors will no longer be required to manage a significant portion of the Reliance Shares held by them.

Business Continuity and Longevity.

Decision making by the individuals comprising the Sponsors through the Group Companies is expected to support business growth and long term business continuation of Reliance, which shall benefit all its shareholders."

Therefore, the Scheme is for viable reasons. 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.¹

10. In view of the foregoing, the petition is allowed. Under section 279(2) of the Companies Act, 2017 this Court doth hereby sanction without modification the Scheme of Arrangement involving the Petitioners and their members as set-out in Annexure 'J' to the petition (to be appended hereto), and doth hereby declare the same to be binding on all shareholders of each Petitioner, the creditors of the Petitioner No.1 and on each Petitioner with effect from the date hereof.

The parties to the Scheme or any other person affected thereby shall be at liberty to apply to this Court for any direction that may be necessary regarding the working of the Scheme.

To comply with section 279(3) of the Act, the Deputy Registrar (O.S.) shall forward a certified copy of this order to the Registrar of Companies.

JUDGE

Karachi:
Dated: 10-03-2025

¹ *Paramount Spinning Mills* (2020 CLD 1443); *IGI Insurance Ltd.* (2018 CLD 572); *Gadoon Textile Mills Ltd.* (2015 CLD 2010).