

**Establishment of Securities and Exchange Commission of Pakistan
January 17, 2000 SECP appoints M/s. A. F. Ferguson & Co., Chartered
Accountants, State Life Building, 1-C, I.I. Chundrigar Road, Karachi, to act as
inspectors to investigate into the affairs of M/S Naya Daur Motors (Pvt) Limited.**

O R D E R

1. M/s. Naya Daur Motors (Pvt) Limited (hereinafter referred to as the company) was incorporated under the Companies Ordinance, 1984 (hereinafter referred to as the Ordinance). On 12.1.1993 the company was privatized and its management alongwith 90% shares was transferred to the nominees of the "Tawakkal Group". The authorized capital of the company is Rs. 75 million and its paid up capital is Rs. 64 million, 10% of which is held by M/s. Sindh Engineering Limited and Republic Motors Limited.
2. In addition to sale price payable to the Privatization Commission, "Tawakkal Group" was liable to pay loans amounting to Rs 144.66 million against the company, for which they provided guarantees from M/S Indus Bank Ltd., which was required to be replaced within six months by guarantees from the schedule banks. But they failed to do so.
3. After privatization, the company managed to get franchise of KIA Motors Corporation of South Korea in 1995 and introduced "KIA Pride Car". The company invited the general public for booking of KIA Pride Car and by way of advance deposits collected an amount of Rs. 919.287 million as per its balance sheet for the year ended 30.6.96. Subsequently, instead of supplying cars to their customers, the company's management siphoned off a sizable portion of the public money to their sister concerns.
4. On receipt of complaints from the aggrieved customers of the company, the Joint Registrar, Company Registration Office, Karachi, initiated action and detailed information was demanded in terms of the provisions of section 261 of the Companies Ordinance, 1984., which the company's management failed to provide and stated that it was not possible due to closure of the factory, laying off the officers and workers and disconnection of the electricity. Under the circumstances, the Joint Registrar proposed that the matter be referred to the Securities and Exchange Commission of Pakistan under section 261(6) of the Ordinance for appointment of inspectors to investigate into the affairs of the company under section 263 of the Ordinance. Based on the said report of the Joint Registrar, CRO, Karachi, the Registrar of Companies, has referred the matter to Securities and Exchange Commission of Pakistan under section 261(6) recommending for appointment of inspectors to investigate into the affairs of the company.
5. Giving due consideration to the report of Registrar of Companies and keeping the facts and circumstances of the case in view, I have reasons to be convinced that after take over of the management through privatization, the management failed to run the company's affairs in accordance with sound business principles and commercial practices. By siphoning off the public money and other funds, the entire equity of the company has been eroded and its customers, creditors and the Government have been defrauded by the "Tawakkal Group". In this manner, the interests of the company's creditors, customers and the Government have been jeopardized and statutory/fiduciary obligations grossly

disregarded. There is, therefore, need for an in-depth probe with a view to ascertaining the factual position about the irregularities involved , apportioning liability therefor and initiating action against the delinquents for assessment and recovery of misappropriated/misapplied funds.

6. I, therefore, in exercise of the powers conferred by Section 263(c) of the Companies Ordinance, 1984 (XLVII of 1984) read with Notification SRO No.77(KE)/99, dated March 25, 1999, of the Securities and Exchange Commission of Pakistan Act, 1997 hereby appoint M/s. A. F. Ferguson & Co., Chartered Accountants, State Life Building, 1-C, I.I. Chundrigar Road, Karachi, to act as inspectors to investigate into the affairs of M/S Naya Daur Motors (Pvt) Limited on a remuneration of Rs. 50,000/-

7. The inspectors shall conduct investigation on all aspects of the operations of the company, inter-alia, covering the following

- (i) Use of funds
- (ii) Charge over the assets
- (iii) Diversion of funds to unauthorized objects.
- (iv) Legitimacy of the Regimes, (Management).
- (v) Genuineness of the record.
- (vi) Compliance with statutory requirements in the operations of the company.

8. The report of the inspectors alongwith supporting documents shall be submitted to the Commission in quadruplicate within 30 days from the date of this order.

(Abdul Rehman Qureshi)
Commissioner (CL)

Islamabad,
No. Enq. 602(6)RCP/95