

**IN THE HIGH COURT OF SINDH AT KARACHI**

Present:  
Mr. Justice Muhammad Shafi Siddiqui

J.C.M. No. 38 of 2021

MFG Insurance Company Limited  
Versus  
Securities & Exchange Commissioner of Pakistan

Date of Hearing: 15.02.2022

Petitioner: Through Mr. Aman Aftab Advocate.

Respondent: None present.

**J U D G M E N T**

Muhammad Shafi Siddiqui, J.- This petition has been filed by the petitioner company under section 89 of Companies Act, 2017 for confirmation of the reduction of share capital. Security & Exchange Commission of Pakistan has responded in terms of its parawise comments.

2. I have heard learned counsel for petitioner and perused material available on record whereas no one has appeared on behalf of the respondent/SECP though parawise comments have been filed.

3. The company was incorporated somewhere in November 2019 as limited by shares under the then provisions of Companies Act, 2017, by SECP, having its object to operate as Insurance Company to carry out general insurance business, as disclosed in the Companies Memorandum of Association. The authorized capital was 1,000,000,000 divided into 100,000,000 ordinary shares of Rs.10 each with initial paid up capital of the Company was Rs.2 Million which was increased to Rs.500 Million in pursuance with Insurance Ordinance 2000 and Insurance Rules 2017

framed thereunder, which is intact as of this date, having six shareholders.

4. It appears that after its incorporation the company applied to the respondent for insurance licence vide application dated 14.10.2020 however in terms of decision of extraordinary meeting of shareholders dated 07.08.2021 the same was withdrawn and communicated to respondent vide letter of 09.08.2021.

5. The petitioner company in terms of unanimous decision of the shareholders in extraordinary general meeting of 01.09.2021, held after due notice as provided in Companies Act, 2017, resolved to reduce share capital from Rs.500 Million to Rs.900,000/- in pursuance of Section 89 of Companies Act, 2017 and in line with Article 35 of the Articles of Association of the Company, by way of paying off paid up share capital which is in excess of needs of the company. Since the company is at its initial stage and has no creditors with its shareholding with six shareholders, referred above, there seems to be no impediment to reduce the share capital.

6. The reduction of share capital is in view of the fact that the company is not going to involve in insurance business and hence does not require hefty capital and it does not involve diminution of any liability in respect of unpaid capital or payment to any shareholder and does not have any creditors. The scheme in no way detrimental to the interests of the shareholders who have also given their assent in terms of resolution, referred above.

7. The company claimed to have been authorized under Article 35 of its Articles of Association to pass special resolution in this regard which it did subject to confirmation of this Court, as required under section 89 of Companies Act, 2017. The Extraordinary General Meeting (EGM) was carried out on 01.09.2021 after issuance of requisite notices. The

shareholders unanimously through a special resolution passed on 01.09.2021 in terms of Section 89 of the Companies Act, 2017 resolved that the paid up share capital of the company be reduced in terms of the above.

8. The petition was advertised in “Daily Jang” and “Daily News” of October 22, 2021 and was also gazetted on 10.11.2021 but none has appeared to oppose or contest the petition. Notice was also issued to Securities & Exchange Commission of Pakistan who did not raise any objection of any nature whatsoever rather they confirmed the contents of the petition.

9. In case for confirmation of resolution of reduced share capital the question for consideration are, should the Court refuse its sanction to the reduction out of regard to the interest of those members of the public who may be induced to take shares in the company; is the reduction fair and equitable between different classes of shareholders; whether the reduction is shared by all; and is it designed to work justly and equitably and whether it does not involve diminution of the liability in respect of unpaid capital or payment of any shareholder of any paid up capital; and there is evidence regarding loss of capital and non-representation of available assets. None of these impediments exist in the case of the petitioner’s company and consequently in view of above proposed reduction in the share capital, as resolved by the company itself, apparently seems to be just, fair and reasonable and not likely to adversely affect the interests of shareholders who have themselves resolved to the approval of this scheme of reduction. The proposal for reduction of share capital is therefore confirmed in terms of the requirements of Companies Act, 2017.

10. Petition stands disposed of in the above terms.

Dated:

**Judge**