

The Gazette of Pakistan

The coat of arms of Pakistan is centered between the words 'Gazette' and 'of Pakistan'. It features a shield with a crescent moon and star at the top, a central emblem, and a banner at the bottom. The shield is flanked by two lions and a tree, and the entire emblem is surrounded by a wreath of cotton and wheat.

EXTRAORDINARY
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PART I

Acts, Ordinances, President's Orders and Regulations

NATIONAL ASSEMBLY SECRETARIAT

Islamabad, the 15th September, 1973

The following Acts of Parliament received the assent of the President on the 15th September, 1973, and are hereby published for general information :—

ACT No. LXIV OF 1973

An Act further to amend the Economic Reforms Order, 1972

WHEREAS it is expedient further to amend the Economic Reforms Order, 1972 (P. O. No. 1 of 1972), for the purpose hereinafter appearing;

It is hereby enacted as follows :—

1. **Short title and commencement.**—(1) This Act may be called the Economic Reforms (Amendment) Act, 1973.

(2) It shall come into force at once.

2. **General amendment, P. O. No. 1 of 1972.**—In the Economic Reforms Order, 1972 (P. O. No. 1 of 1972), hereinafter referred to as the said Order, for the words “Central Government” wherever occurring, the words “Federal Government” shall be substituted.

3. **Amendment of Article 2, P. O. No. 1 of 1972.**—In the said Order, in Article 2,—

(a) in paragraph (a),—

(i) for the words “undertaking pertaining” the words and commas “company, firm, concern, institution or enterprise the whole or any part of the undertaking of which pertains” shall be substituted; and

(ii) for the word “Schedule” the words “First Schedule” shall be substituted; and

(b) after paragraph (a) amended as aforesaid, the following new paragraph shall be inserted, namely :—

“(aa) ‘managed establishment’ means an establishment in respect of which a Managing Director has been appointed;”; and

(c) after paragraph (b), the following new paragraphs shall be inserted, namely :—

“(bb) ‘shareholder’ means a shareholder in the share capital of an establishment, and includes a stockholder;

(bbb) ‘person’ includes an individual, a Hindu undivided family, a partnership firm, an association of persons or a body of individuals, the Government of a Province and a local authority;”.

4. **Amendment of Article 3, P. O. No. 1 of 1972.**—In the said Order, Article 3 shall be re-numbered as clause (1) of that Article and, after clause (1) re-numbered as aforesaid, the following new clause shall be added, namely :—

“(2) It is hereby declared that development under Federal control of the industries pertaining to any of the categories set out in the First Schedule is expedient in the public interest.”.

5. **Amendment of Article 4, P. O. No. 1 of 1972.**—In the said Order, in Article 4,—

(a) in clause (1), the words “for its management” shall be omitted;

(b) in clause (2), the words “management of the” shall be omitted; and

(c) in clause (4), for the word “officer” the word “person” shall be substituted.

6. **Insertion of new Articles, P. O. No. 1 of 1972.**—In the said Order, after Article 7, the following new Articles shall be inserted, namely :—

“7A. *Power to prohibit dealings in shares, etc.*—(1) The Federal Government may, by notification in the official Gazette, direct that—

- (a) no dealings or business relating to the shares of the managed establishment specified in the notification shall be transacted on any stock exchange; and
 - (b) no transfer of the shares of the managed establishment specified in the notification shall be registered in the share register of the establishment except to the extent and in the manner so specified.
- (2) A notification issued under paragraph (a) of clause (1) shall remain in force for a period of ninety days unless it is earlier rescinded or modified.

7B. *Power to acquire shares or business of an establishment.*—(1) The Federal Government may, if it considers necessary in the public interest so to do, by an order,—

- (a) in the case of an establishment which is a company or an establishment owned by a company,—
 - (i) acquire the entire shares held in the company by the sponsors and directors of the previous management thereof, the family members of such sponsors and directors and the associated undertakings and managing agents which were the associated undertakings and managing agents of the company at the time at which a **Managing Director** was appointed in respect thereof and the whole or a portion of the shares from all or any of the shareholders of such company and, as from the date of such order, the shares so acquired shall vest in the Federal Government; or
 - (ii) acquire the whole or a portion of the proprietary interests of such company in such establishment and, as from the date of such order, the interests so acquired shall vest in the Federal Government; and
- (b) in the case of an establishment owned by a person, acquire the whole or a portion of the proprietary interests of such person and, as from the date of such order, the interests so acquired shall vest in the Federal Government :

Provided that no order shall be made under this Article for the acquisition of the shares held in an establishment by a foreign investor or an institution owned, managed or controlled by the Federal Government :

Provided further that in the case of an establishment which is a company or an establishment owned by a company, the Federal Government may, by notification in the official Gazette, exempt from acquisition shareholdings of any shareholder up to such maximum amount as may be specified in the notification.

Explanation.—In this clause,—

- (a) “associated undertakings” has the same meaning as in the **Monopolies and Restrictive Trade Practices (Control and Prevention) Ordinance, 1970 (V of 1970)**;
- (b) “family members”, in relation to a sponsor or director, means the spouse, lineal ascendants and descendants and brothers and sisters of the sponsor or director; and

- (c) "previous management", in relation to a company, means a person, body or managing agency in whom the management of the company vested immediately before the appointment of a Managing Director in respect of such company or of the establishment owned by it.
- (2) Where the Federal Government makes an order under clause (1) in respect of the shares of any company, no dealings or business relating to such shares shall be transacted on any stock exchange for a period of ninety days from the date of such order.
- 7C. *Acquisition of shares.*—Where, under Article 7B, the Federal Government acquires the whole or a portion of the shares of the shareholders of any company or of the proprietary interests of a company or other person in an establishment, the Federal Government shall, within a period of ninety days, pay such compensation as may be determined by it on the basis of the principles set out in the Second Schedule.
- 7D. *Re-organization of establishment.*—(1) Where, in respect of any managed establishment which is a company or an establishment owned by a company, the Federal Government holds or has acquired the whole or a majority portion of the shares in the company carrying the controlling voting rights, or where the Federal Government has acquired the whole or a controlling portion of the proprietary interests it may at any time re-organize such establishment with a view to increasing its efficiency and rationalising its operation.
- (2) The re-organization may include provision for amalgamation of a managed establishment with other such establishments or with undertakings owned or managed by the Federal Government or by a corporation set up under the authority of the Government and, in the case of establishments which are companies or establishments owned by companies, may provide for the reconstruction of any such company or companies, or amalgamation of any such two or more companies and for all or any of the matters contained in section 153 or section 153B of the Companies Act, 1913 (*VII of 1913*), or for alteration of share capital or loan structure and alteration of existing, or adoption of fresh, articles of association of such companies.
- (3) The re-organisation shall be implemented and take effect in such manner and at such time as the Federal Government may, by notification in the official Gazette, specify.

Explanation.—For the purposes of this Article and Article 7E, the Federal Government shall be deemed to have a majority portion of the shares in a company carrying controlling voting rights or the controlling proprietary interests in an establishment if the aggregate face value of the shares or proprietary interests in such establishment owned by the Federal Government and by an institution owned or controlled by the Federal Government exceeds 50% of the total voting rights in the issued and paid up share capital of the company or 50% of the proprietary interests of that establishment.

- 7E. *Vesting of management, etc., acquired by Federal Government in a corporation.*—(1) Where the Federal Government acquires the whole or a majority portion of the shares or proprietary interests of a company or other person under Article 7B, the Federal Government may transfer the management of, and such shares or proprietary interests in, such establishment to any corporation wholly owned or controlled by the Federal Government or a corporation to be set up for the purpose.

- (2) A corporation to which the management of, or shares or proprietary interests in, an establishment is or are transferred under clause (1) shall, in the exercise of its powers and performance of its functions, be subject to the general supervision and control of such Board or other authority the Federal Government may set up for the purpose."

7. Amendment of Article 9, P. O. No. 1 of 1972.—In the said Order, in Article 9, after the word "thereunder" at the end, the words, figures and brackets "or for any inadvertent failure to comply with any of the provisions of the Companies Act, 1913 (*VII of 1913*)" shall be added.

8. Amendment of Article 12, P. O. No. 1 of 1972.—In the said Order, in Article 12, in clause (2),—

- (a) in paragraph (i), the word "and" at the end shall be omitted ;
 (b) in paragraph (j), for the full stop at the end the semi-colon and word "; and" shall be substituted ; and
 (c) after paragraph (j) amended as aforesaid, the following new paragraphs shall be added, namely :—

"(k) the procedure and manner of acquiring shares and proprietary interests in establishments and payment of compensation therefor and re-organisation of managed establishments ; and

(l) in the case of an establishment which is a company, the calling of meetings of the shareholders of the company and the conduct of its affairs."

9. Amendment of the Schedule, P. O. No. 1 of 1972.—In the said Order, in the Schedule, for the words "the Schedule" the words "First Schedule" shall be substituted.

10. Addition of new Schedule, P. O. No. 1 of 1972.—In the said Order, after the First Schedule amended as aforesaid, the following new Schedule shall be added, namely :—

"SECOND SCHEDULE

Principles and the manner for payment of compensation in respect of the shares or proprietary interests of an establishment acquired by the Federal Government.

1. Where the whole or a portion of the shares of such an establishment is acquired by the Federal Government, the value of the compensation for the shares so acquired shall be assessed—

- (a) in the case of shares not quoted on any of the stock exchanges, at the Break Up Value ; and
 (b) in the case of shares quoted on any of the stock exchanges, at the Break Up Value or the Market Value, whichever is less.

2. Where the whole or a portion of the proprietary interests in such an establishment is acquired by the Federal Government, the value of the compensation for the interests so acquired shall be assessed—

- (a) in the case of an establishment which has been in commercial production for less than 5 years, at the Net Worth Value of the proprietary interests of such establishment ; and

- (b) in the case of an establishment which has been in commercial production for more than 5 years, at the Net Worth Value or the Times Value of the proprietary interests, whichever is less, of such an establishment.

3. The compensation payable in accordance with the principles indicated above shall be paid by the Federal Government in cash or in the form of Government Industrial Bonds redeemable at any time at the option of the Federal Government carrying a rate of interest one per cent above the bank rate as notified by the State Bank of Pakistan from time to time. The bonds shall not be transferable or be eligible for hypothecation except in accordance with such rules as may be made by the Federal Government in this behalf.

4. *Definitions.*—In this Schedule,—

- (a) “Break Up Value” shall mean the value of the shares of a company as determined by the auditors of such company on the basis of its latest audited annual Balance Sheet, in accordance with clause (c) of rule 8 of the Wealth-tax Rules ;
- (b) “Market Value” shall mean the average value of the shares of a company as quoted on the stock exchange nearest to the Head Office of the company on closing on the six working days prior to the date of acquisition of such shares under the Order or, if, on the date of such order, dealings or business relating to such shares is prohibited under the Order, the six days prior to the date on which the dealings or business is so prohibited ;
- (c) “Net Worth Value” shall mean the value of the proprietary interests of a company or other person in an establishment, which is acquired under the Order, as determined by the auditors appointed by the Federal Government on the basis of the latest annual audited Balance Sheet or, where no audited Balance Sheet is available, on the basis of the latest annual Balance Sheet of such establishment to be verified by the auditors appointed by the Federal Government for the purpose. The Net Worth Value shall be determined by valuing the Fixed Tangible Assets appearing in the Balance Sheet at their written down values, and valuing the Current Assets, e.g., stocks, inventory, work in progress, advances and pre-payments, cash and bank balances, at their cost or market value, whichever is lower. From the sum total of the fixed and the current assets so valued as aforesaid, all the outstanding liabilities appearing in the Balance Sheet shall be deducted, thereby arriving at the Net Worth Value of the proprietary interests in such establishment ;
- (d) “Times Value” shall mean the value of the proprietary interests of a company or other person in an establishment, where such establishment has been in commercial production for a period of not less than 5 years and shall be determined by multiplying the average net profits of the last 3 completed years on account of such an establishment by the figure 7 ; and
- (e) “Net Profits” shall mean the net profits as defined in sub-section (3) of section 87C of the Companies Act, 1973 (VII of 1973).”.

11. **Repeal.**—The Economic Reforms (Amendment) Ordinance, 1973 (XVIII of 1973), is hereby repealed.