

**SEC/Enforcement/369/2005/817**  
**July 18, 2006**

**By Special Messenger**

1. Beximco Synthetics Limited (Issuer)  
17, Dhanmondi, Road No. 2, Dhaka-1205.
2. Investment Corporation of Bangladesh (Trustee)  
8 DIT Avenue (12-15<sup>th</sup> Floor)  
Dhaka.

Sub: **Non-compliance of securities law concerning re-scheduling of payment of principal and interest to institutional debenture holders of Beximco Synthetics Limited: Caution**

As per section 2 (g) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII of 1969) Beximco Synthetics Limited is an issuer (herein after referred to as “issuer”).

As per section 2A (2) (b) of the said Ordinance, the issuer issued debentures to the public investors, including the institutional investors and that the Investment Corporation of Bangladesh (ICB) was appointed as trustee to the said issue.

As per section 2A (2) (c) of the Ordinance, no company shall renew or postpone the date of maturity or repayment of any security maturing for payment in Bangladesh without the consent of the Commission.

It is appeared from a letter No.19/633(K) dated May 2, 2001 of ICB that principal and interest on the issued debentures due on 1<sup>st</sup> September, 2001, along with the amount which became unpaid upto 1<sup>st</sup> March, 2001, was rescheduled (1<sup>st</sup>) based on a meeting of the institutional debenture holders held on 29<sup>th</sup> March, 2001 with the ICB (trustee) in chair, to be payable in 4 equal semi-annual installments commencing from 1<sup>st</sup> March, 2002, subject to certain other conditions. But, the said re-scheduling was subsequently cancelled by ICB due to failure of the issuer to fulfill the said condition (i.e. 10% down payment to ICB).

It is also appeared from another letter No. 01/bs-0.15/40 dated July 26, 2005 of ICB that 2<sup>nd</sup> rescheduling was agreed in the debenture holders, including ICB (trustee), held on January 28, 2004, but the company again failed to comply with the decision.

A letter No.SEC/Enforcement/369/2005/19 dated January 5, 2006 was issued to the issuer for explanation regarding above said re-scheduling. In reply, the issuer submitted a letter dated January 18, 2006 mentioning, among others, that 1<sup>st</sup> and 2<sup>nd</sup> re-schedulings were not re-scheduling in the true sense of the term, but only proposals/intentions therefor, which has not been considered tenable.

It is revealed from the copy of the proceedings of the subsequent meeting of the institutional debenture holders held on July 10, 2005, under chairmanship of the trustee, that a resolution was also taken to the effect that the Securities and Exchange Commission shall be approached for approval of decisions of the institutional debenture holders relating to proposed (3<sup>rd</sup>) re-scheduling which were not taken in the previous meetings held for the same purpose. Nor even the issuer or the trustee did approach SEC in this respect on the previous occasions of re-scheduling, excepting the one vide ICB's letter No. 0.15/40 dated July 26, 2005 for the 3<sup>rd</sup> rescheduling. So, a letter No.SEC/Enforcement/369/2005/418 dated April 16, 2006 was issued to Investment Corporation of Bangladesh (trustee) requesting to provide its comments on the said matters.

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In reply, ICB (trustee) vide letter No.15/229/249/3225 dated May 14, 2006 furnished, among others, that at the request of the issuer company, a meeting of institutional debenture holders was held on March 29, 2001, regarding re-scheduling of outstanding payments. According to the decision of that meeting and approval of Board of Directors of ICB on July 19, 2001, the dues to ICB of the issuer company had been re-scheduled. But the re-scheduling facility had been cancelled due to non-payment of the 10% down payment to ICB by the issuer as per condition. The trustee also mentioned that it, vide its letter No.19/1390 dated November 12, 2003, informed SEC regarding re-scheduling and subsequent cancellation of that re-scheduling. The trustee further mentioned that it did not know the requirement of prior consent of SEC regarding re-scheduling. It had come to know the matter after receiving the Commission's letter No.SEC/SRMID/94-27/836 dated December 20, 2003 issued in reference to the ICB's letter No. 19/1390 dated November 12, 2003. For this reason, prior consent had not been taken at the time of re-scheduling on March 29, 2001. Subsequently, the trustee, through its letter dated July 26, 2005, applied for prior consent of the Commission regarding re-scheduling (3<sup>rd</sup>) based on which the Commission, through its letter No.SEC/CFD/11:19/99-2133 dated August 9, 2005, accorded its consent to the concerned re-scheduling.

The Commission, considering the all above, has decided to dispose of the proceedings against the issuer and ICB (the trustee) by placing on record the Commission's dissatisfaction on the default/contravention made by them, with a caution to ensure compliance of all securities related laws in future.

Please note that this disposal does not absolve the issuer and the trustee from their lawful responsibilities/obligations to the persons, if any, affected as a result of the above said defaults.

For Securities and Exchange Commission

Mansur Alam  
Executive Director

**Copy for information:**

Chief Executive Officer, Dhaka Stock Exchange Ltd.  
Chief Executive Officer, Chittagong Stock Exchange Ltd.  
Executive Director (R & D), SEC  
Executive Director (CFD), SEC  
Director (MIS), SEC  
Chairman's Office, SEC