



Corporate Supervision Department  
Company Law Division

Before Mr. Abid Hussain-Executive Director

*In the matter of*

**Al-Qaim Textile Mills Limited**

Number and date of SCN: No. CSD/ARN/221/2015-2741-48 dated February 20, 2017  
Date of hearing March 6, 2017, March 16, 2017, December 5, 2017,  
December 26, 2017, January 23 2018 & February 22, 2018  
Present: Mr. Nazir Shaheen, CEO, Nazir Ahmed Shaheen Associates  
Mr. Muhammad Atif, Nazir Ahmed Shaheen Associates  
(Authorized Representatives)

**ORDER**

**UNDER SECTIONS 158 AND 245 READ WITH SECTION 476 OF THE COMPANIES**

**ORDINANCE, 1984**

This order shall dispose of the proceedings initiated against the following directors including the chief executive officer (*together referred to as the "Respondents"*) of Al-Qaim Textile Mills Limited (*the "Company"*):

- |   |                       |   |                               |
|---|-----------------------|---|-------------------------------|
| 1 | Mr. Muhammad Ali Awan | 5 | Mr. Imran Haider Awan         |
| 2 | Haji Shaukat Ali Awan | 6 | Mr. Ayyaz Hussain             |
| 3 | Mr. Naeem Mustafa     | 7 | Mr. Syed Muhammad Taqqi Rizwi |
| 4 | Mr. Hasan Ali         | 8 | Mr. Khurram Mustafa           |

2. The proceedings against the respondents were initiated through show cause notice dated February 20, 2017 (*the "SCN"*) under the provisions of section 158 read with section 476 of the Companies Ordinance, 1984 (*the "Ordinance"*).

3. The brief facts of the case are that the Company was required to hold its annual general meeting (*the "AGM"*) for the year ended June 30, 2016 on or before October 31, 2016, in terms of sub-section (1) of section 158 of the Ordinance. Further, the Company also did not file the quarterly accounts for the period ending on September 30, 2016 in physical form with the Commission as per requirements of section 245 of the Ordinance.



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4. Consequently, the SCN was issued to the Company for non-holding of AGM for the year 2016. The SCN was issued to the respondents whereof they were called upon to show cause in writing within fourteen days as to why penal action may not be taken against them under sections 158 and 245 of the Ordinance for non-holding of AGM and for non-filing of quarterly accounts.

5. Hearing in the matter was held on March 16, 2017 wherein, Mr. Nazir Ahmed Shaheen, appeared as authorized representative on behalf of the Company. He submitted that the Company has been in crisis with no business equity and the accounts for the year 2014 were complete and the Company had held its due AGMs till the year 2014. The authorized representative further stated that the AGMs for the year 2015 and 2016 will be held soon and the audit was in process and requested for three months' time for completion of the same.

6. The hearing was fixed for December 5, 2017 wherein the authorized representative again appeared and requested for more time. The Company vide letter received on December 18, 2017 submitted that the Company has been in depression due to the downfall of the textile industry. The Company had been facing severe business problems due to which its business activities have been reduced to nil. The Company was not in a position to give salary to its employees due to which it had been facing staff shortage, which has made timely compliance of law difficult. The Company requested for more time for compliance of the mandatory provisions of law.

7. The matter was re-fixed for December 26, 2017 Mr. Muhammad Atif, appeared as authorized representative of the Company. He also submitted a written reply wherein the facts stated in the earlier submissions were reiterated. It was submitted that the business activities of the Company had been stopped and the mill was closed, it had been facing financial problems. The chief executive officer in the written submission requested for four months' time to comply with the mandatory requirements of law.

8. The final hearing was held on February 22, 2018, Mr. Nazir Ahmed Shaheen, the authorized representative again appeared before the undersigned. He submitted that the audit



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could not be completed due the staff shortage and halted business activities. The authorized representative further submitted that no progress could be made in audit of accounts nor the AGMs were held. The management is planning to sell the mill since it has not been running for a long time. He also stated that one of the creditors of the Company has proceeded with winding up of the same however, the authorized representative was unable to present any evidence or update in this regard.

9. Before proceeding further, it is necessary to advert to the following relevant provisions of the Ordinance. Sub-section (1) of section 158 of the Ordinance, inter alia, provides as under:

*Every company shall hold, in addition to any other meeting, a general meeting, as its annual general meeting, within eighteen months from the date of its incorporation and thereafter once at least in every calendar year within a period of four months following the close of its financial year and not more than fifteen months after the holding of its last preceding annual general meeting;*

Sub-section (4) of section 158, inter alia, provides as under:

*If default is made in complying with any provision of this section, the company and every officer of the company who is knowingly and willfully a party to the default shall be liable,--*

*(a) if the default relates to a listed company, to a fine not less than fifty thousand rupees and not exceeding five hundred thousand rupees and to a further fine not exceeding two thousand rupees for every day after the first during which the default continues;*

10. In terms of sub-section (1) of section 245 of the Ordinance read with Commission's circular no. 9 dated March 19, 2003, all listed companies are, *inter alia*, required to file their quarterly accounts with the Commission within stipulated time i.e. one month from the close of first and third quarters and two months from the close of second quarter.

Sub-section (3) of section 245, inter alia, provides as under:

*(3) If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief accountant of the company*



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*who has knowingly by his act or omission been the cause of such default shall be liable to a fine of not exceeding one hundred thousand rupees and to a further fine of one thousand rupees for every day during which the default continues.*

11. In terms of the Commission's notification SRO 751(I)/2017 dated August 2, 2017, the powers to adjudicate cases under sections 158 and 245 have been delegated to the Executive Director, Corporate Supervision Department.

12. I have analyzed the facts of the case, relevant provisions of the Ordinance, and facts available on record. The provisions of the law are clear and explicit. A company is required to hold its AGM within four month from the close of its financial year and the Commission may extend the time for thirty days based on application by the company. Holding of AGM is a very important statutory event and provides an opportunity to the shareholders, including those in minority, to participate in discussion and voting on agenda items of the AGM. Further the fact that timing of interim financial statements is of essence, the disclosure and audit requirements of these accounts have been kept to a bare minimum. Quarterly accounts prepared properly and in a timely manner not only provide to its users a reliable source of information regarding a company's financial position and performance but these also show the results of management's stewardship of resources entrusted to it. In order to ensure transparency, all the companies must meticulously follow the legal requirement for preparing and circulation of quarterly accounts.

13. In view of the above stated facts and passage of considerable time; the Company has still not held its AGM for the year ended June 30, 2016. It is concluded that the provisions of the law have been violated and the respondents are liable to fine in terms of section 158 of the Ordinance for non-holding of AGM for the year ended June 30, 2016. Therefore, in exercise of powers conferred by sub-section (4) of section 158 of the Ordinance, I hereby impose a fine of Rs.50,000 (Rupees fifty thousand only) on the Chief Executive of the Company and warn the rest of the respondents to be careful in future and comply with the provisions of law in letter and spirit.



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14. As regards the violation of provisions of section 245 of the Ordinance for non-filing of quarterly accounts for the quarter ended September 30, 2016, I hereby impose a penalty of Rs.5000 (Rupees five thousand only) on the Chief Executive of the Company and warn the rest of the respondents to be careful in future and comply with the provisions of law in letter and spirit.

The aforesaid fines must be deposited in the designated bank account maintained with MCB Bank Limited in the name of the "Securities and Exchange Commission of Pakistan" within thirty days from the receipt of this order and receipted bank vouchers must be furnished to the Commission. In case of non-deposit of the fine, proceedings for recovery of the fines as arrears of land revenue will be initiated. It may also be noted that the aforesaid fines are imposed on the chief executive of the Company in his personal capacity; therefore, he is required to pay the said amount from personal resources.

**ABID HUSSAIN**  
Executive Director  
Corporate Supervision Department

**Announced:**  
May 31, 2018  
Islamabad

