



Corporate Supervision Department
Company Law Division

Before Abid Hussain – Executive Director (CSD)

In the matter of

Mr. Arif Saeed, Director; Saif Textile Mills Limited

Number and date of notice: CSD/ARN/149/2015-1461, dated March 14, 2018

Date of hearings: April 23, 2018

Present: Mr. Sabir Khan, Authorized Representative of Mr. Arif Saeed

ORDER

**UNDER SECTION 187(h) READ WITH SECTIONS 189 AND 476 OF THE COMPANIES
ORDINANCE, 1984**

This order shall dispose of the proceedings initiated against Mr. Arif Saeed (the "Respondent"), director of Saif Textile Mills Limited (the "Company"). The proceedings against the respondent were initiated through show cause notice (the "SCN") dated March 14, 2018 under section 187(h) read with sections 189 and section 476 of the Companies Ordinance, 1984 (the "Ordinance").

2. The brief facts of the case are that the annual accounts of the company for the year ended June 30, 2016 and related quarterly accounts revealed that Mr. Arif Saeed did not hold any shares of the company and was not a member. He was required to hold qualification shares being a non-executive, non-nominee director. The Commission vide letter dated October 31, 2017 advised the Company to provide the evidence of compliance with Section 187(h) of the Ordinance. The Company in reply vide its letter No. STML/SECP-CSD/11-17 dated November 9, 2017 responded that due to an omission Mr. Arif Saeed did not possess qualification shares as required under the article of the Company and this omission had gone unnoticed however we will be careful in future.

3. In this regard, it was observed that despite being not eligible to be the director of the company, Mr. Arif Saeed hold the office of director from March 31, 2015 to October 7, 2016. Besides this, Article of Association of the Company also required to have minimum qualification shares having value of Rs 5,000 for a director.



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4. Consequent to this, a SCN dated March 14, 2018 was issued under section 189 of the Ordinance to the respondent wherein he was called upon to show cause in writing as to why penal action may not be taken against him for contravening the law.

5. In response to the SCN, Mr. Sabir Khan Company Secretary vide his letter bearing reference no. STML/SECP-CSD/08-16 dated March 26, 2018 responded that qualification shares could not be transferred in the name of Mr. Arif Saeed due to an oversight. Subsequently Mr. Arif resigned from the directorship of the company in October, 2016. It is therefore requested that noncompliance may please be condoned.

6. Considering the reply, the matter was fixed for hearing on April 23, 2018. Mr. Sabir Khan attended the hearing as Authorized Representative of Mr. Arif Saeed (the "Authorized Representative"). The Authorized Representative admitted the default and assured that in future the compliance of law will be made in letter and spirit. He requested to conclude the proceedings without any adverse order.

7. Before proceeding further, it is necessary to advert to the following relevant provisions of the Ordinance:

Section 187 (h) of the Ordinance provides as under:

"No person shall be appointed as a director of a company if he is not a member

Section 189 of the Ordinance provides as under:

"If a person who is not qualified to be a director or chief executive or who has otherwise vacated the office of director or chief executive describes or represents himself or acts as a director or chief executive, or allows or causes himself to be described as such, he shall be liable in respect of each day during which he so describes or represents or acts, or allows or causes himself to be described, as such, to fine which may extend to two hundred rupees. ."

8. In terms of the Commission's notification SRO S.R.O 751(I)/2017 dated August 2, 2017, the powers to adjudicate cases under section 189 of the Ordinance have been delegated to the Executive Director (Corporate Supervision Department).

9. I have analyzed the facts of the case, relevant provisions of the Ordinance, representation given by the Authorized Representative during the hearing and observed that the Respondent was

7th Floor, NIC Building, 63-Jinnah Avenue
Islamabad, Pakistan

PABX: + 92-51-9207091-4, Fax: +92-51-9100454, 9100471, Email: webmaster@secp.gov.pk, Website: www.secp.gov.pk



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in contravention with the provisions of Section 187(h) of the Ordinance. I have also noted that the Respondent conceded the default on his part and resigned from the office of director. The self-realization and corrective measures taken for avoidance of future errors are encouraging. The enforcement and regulatory function of the Commission is aimed at building a compliant corporate culture and default has been corrected through resignation of the concerned director, therefore, I take a lenient view and hereby warn the Respondent to ensure meticulous compliance of law in future.

Abid Hussain
Executive Director (CSD)

Announced:
July 12, 2018
Islamabad

