



Corporate Supervision Department  
Company Law Division

Before Abid Hussain – Executive Director

In the matter of

**Bilal Fibres Limited**

Number and date of No. CSD/ARN/523/2017-922-28 dated January 2, 2018  
notice:

Date of hearing: September 27, 2018

Present: Mr. Amjad Ashraf (Authorized Representative)

**ORDER**

**Under Section 196 read with Section 476 of the Companies Ordinance, 1984**

This order shall dispose of the proceedings initiated against the directors including chief executive (*the "Respondents"*) of Bilal Fibres Limited (*the "Company"*) through show cause notice dated January 2, 2018 (*the "SCN"*) issued under the provisions of Section 196 read with Section 476 of the Companies Ordinance, 1984 (*the "Ordinance"*). The respondents to this show cause proceedings are listed here below:

S. No.	Respondents
1	Mr. Naeem Omer
2	Mr. Anwaar Abbass
3	Mr. Shahid Iqbal
4	Mr. Muhammad Omer
5	Mr. Muhammad Asghar
6	Mr. Amjad Ali
7	Mr. Muhammad Aslam Bhatti

2. Brief facts of the case are that examination of annual audited accounts for the year ended June 30, 2017 (*the "Accounts"*) revealed that the Company during the last quarter of the financial year had leased out factory premises without the consent of general meeting (*the "AGM"*) as required under section 196 of the Ordinance.

3. It was observed that the Rizwan & Company, Chartered Accountants (*the "Auditor"*) in his report to the members on accounts expressed adverse opinion pointed out that the Company leased out factory premises without the approval of AGM.



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4. Subsequently, the SCN was issued to the directors of the Company including the chief executive wherein the respondents were called upon to show cause in writing as to why penal action may not be taken against them. The Company Secretary vide letter dated February 9, 2018 responded:

*"That the Company has already addressed this issue and provided the information/ explanation vide its letter no. BFL/78692/17 dated October 23, 2017 to the Commission comprising an addendum to the 31<sup>st</sup> AGM and addition of the resolution in the Notice of AGM in order to obtain shareholders' approval for leasing out of factory premises w.e.f. April 1, 2017 so as to endorse the Boards' approval. The shareholders unanimously passed the resolution for leasing out of factory."*

5. The matter was fixed for hearing September 27, 2018. Mr. Amjad Ashraf attended the hearing on behalf of the respondents. He reiterated the written response and submitted that post-facto approval was received from shareholders in the AGM for the year 2017.

6. In terms of the Commission's notification SRO 751 (I)/2017 dated August 2, 2017, the powers to adjudicate cases under section 196 have been delegated to the Executive Director (Corporate Supervision Department).

7. I have gone through facts of the matter and I am of the opinion that directors have committed the non-compliance of section 196 of the Ordinance by not seeking shareholders' approval before leasing out factory premises. The argument of the respondents that post-facto approval was granted by shareholders is against the spirit of the law. Approvals when required for a certain action from a certain authority are deemed to be ex-ante unless otherwise stated explicitly. I have also noted that the lease was without shareholders' approval from April 1, 2017 till October 31, 2017, i.e. for a period of seven months. It is pertinent to mention here that the Company had net loss of Rs. 78,381,023 for the year ended June 30, 2018 and loss per share of Rs. 5.56 for the same period. Thus the shareholders' approvals for the lease agreements as required under law becomes even more crucial as the Company is apparently not able to recover all its expenses from the rental income and has run into losses. The losses are directly impacting the shareholders and thus they must have the necessary knowledge of the lease arrangements and have a right to discuss the matter in the general meeting of the Company.

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8. In light of the above, I am of the considered view that the default has been committed and the directors are liable for penalties under the provisions of section 196 of the Ordinance, however, keeping in view of the fact that approval was sought from shareholders in the AGMs for the years 2017 and 2018, I, instead of imposing the maximum penalty, hereby impose a penalty of Rs.10,000 on each of the respondents. The details of the penalties imposed is as follows:

S.No.	Name of Respondent	Penalty (Rs.)
1	Mr. Naeem Omer	10,000
2	Mr. Anwaar Abbass	10,000
3	Mr. Shahid Iqbal	10,000
4	Mr. Muhammad Omer	10,000
5	Mr. Muhammad Asghar	10,000
6	Mr. Amjad Ali	10,000
7	Mr. Muhammad Aslam Bhatti	10,000
	Total	70,000

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

**Abid Hussain**  
Executive Director

**Announced:**  
February 13, 2019  
Islamabad

