



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
(Enforcement & Monitoring Division)

[Islamabad]

Before Rashid Sadiq, Executive Director

In the matter of
M/s. Regal Ceramics Limited

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| Number and date of notice | No. EMD/233/589/2002 dated August 20, 2002 |
| Date of hearing | October 07, 2002 |
| Present | Mr. Muhammad Iqbal, Office Superintendent of the Company |
| Date of Order | June 27, 2003 |

This is a case of violation of the provisions of Section 246 of the Companies Ordinance, 1984 (the “Ordinance”) by M/s Regal Ceramics Limited (hereinafter referred to as the “Company”).

2. The facts leading to this case, briefly stated, are that in terms of SRO No.764 (I) 2001 dated November 05, 2001, the Company was required to prepare and transmit to its members, stock exchanges, registrar and the commission its quarterly accounts for the period ended March 31, 2002 (3rd quarter) by April 30, 2002. The failure of the Company to comply with the aforesaid requirement necessitated action in terms of the relevant provisions of law.

3. Consequently, a notice dated August 20, 2002 was issued to the Company its Chief Executive and directors to show cause in writing as to why fine provided in Sub-section (2) of Section 246 of the Ordinance may not be imposed. The reply from the Company was received on August 26, 2002. No reply to the show cause notice was received from the Directors. In order to give an opportunity to the Company and its directors for personal hearing, the case was fixed on October 07, 2002. On the date



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of hearing, Mr. Muhammad Iqbal, Office Superintendent of the Company appeared and filed a written reply.

4. In the written reply, it was contended by the Company its factory was lying closed since year 2000 and due to a dispute among the Directors no meeting of the Board of Director could take place for want of Quorum. It was further submitted that PICIC obtained a decree to recover its loans from the sale of assets of the Company. Moreover, the MCB has also filed a recovery suit against the Company which was pending in the Banking Court. It was also pointed out that the Company has also filed appeal in the Lahore High Court, which will take some time for settlement of the dispute. It was also contended that the Chief Executive of the Company was seriously ill and some of the Directors were out of country and that the Company had already requested vided letter dated September 09, 2002 for extra time for preparation of the quarterly accounts

5. I have given due consideration to these arguments. However, the same do not justify non-circulation and filing of quarterly accounts. The closure of the Company is not a tenable reason for the contravention. The issue of dispute among directors is indicative of their non-serious attitude in running the company and disregard of the mandatory provisions of the law. It is the responsibility of the directors to prepare and circulate accounts within prescribed time. All the matters / arrangements should be timely resolved so that the shareholders might not be deprived of their right to receive timely information about the affairs of the Company. The arguments of the Company for non-circulation of quarterly accounts are, therefore, not sustainable. It has also been noticed that the Company was also penalized in the past for similar defaults and instead of ensuring compliance to this statutory requirement, the directors have once again contravened the mandatory provisions of the Ordinance which indicates their



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total disregard of the statutory requirements and lack of interest in the affairs of the Company. Besides they have failed to appear before me on the date of hearing, which indicates that they have nothing to argue. I am, therefore, constrained to believe that the default is willful and deliberate.

6. In view of the foregoing, an action is necessary against the Chief Executive and other directors of the Company. I, therefore, impose a fine of Rs. 10,000 (Rupees ten thousand only) on each of the directors including the Chief Executive of the Company. I hope that the Chief Executive and the directors would react positively to the lenient view and would make arrangements for immediate circulation of the quarterly accounts.

7. The directors of the Company namely,

- Malik Saleem Ismail, Chief Executive,
- Mr. J. Ali Shamsi, Chairman/Director,
- Mr. Ahmad Muhammad Hussain, Director,
- Mr. Muhammad Amin Ismail,, Director,
- Mr. Mahmood M. Hussain,, Director,
- Mr. Aziz-ud-din Hassanali, Director,
- Mrs. S. Ali (Noor Jehan), Director
- Mr. Mohamamd Amin Hassanali
- Mr. Rahim Parvaiz Ismail

are hereby directed to deposit the fine in the bank account of Securities and Exchange Commission of Pakistan with Habib Bank Limited within thirty days from the date of this Order and furnish receipted challan to this Commission.

Rashid Sadiq

Executive Director (Enforcement & Monitoring)

Announced
June 27 2003
ISLAMABAD