

Securities and Exchange Commission of Pakistan  
Enforcement and Monitoring Division  
NIC Building, Jinnah Avenue, Islamabad

## Order

IN THE MATTER OF M/S PRUDENTIAL INVESTMENT BANK LIMITED  
(IN RESPECT OF SHOW CAUSE NOTICE UNDER SUB-SECTION (1) OF SECTION 158 OF  
THE COMPANIES ORDINANCE, 1984)

No. and date of show cause notice	SC/MF-ED/103/ 2001 dated March 22, 2001
Date of hearing	May 15, 2001
Present	Mr. Naveed A. Wahid, Director
Date of Order	May 25, 2001

The facts of this case are that M/S Prudential Investment Bank Limited (the "Company") was required to hold its annual general meeting (AGM) for the year ended June 30, 2000 latest by December 31, 2000. The Company has applied for ninety days extension for holding of the said AGM, which was granted. The Company, its Chief Executive and directors, however, failed to hold the said AGM even within the extended time and a Show Cause Notice dated March 22, 2001 was served on the Chief Executive of the Company for violation of Sub-section (1) of Section 158 of the Ordinance. Later on the aforesaid Show Cause Notice was also served on all the directors of the Company.

2. The aforesaid show cause notice was responded by the Company through its letter dated April 03, 2001 as under:

"Since our Chairman has remained out of the Country, we would need some further time to reply to your show cause notice. A detailed reply will be therefore submitted within the next week or so."

3. Through another letter dated April 06, 2001, the company informed this Commission that:

"Chairman of the Bank has gone for performing Hajj and due to which we were unable to hold AGM on March 31, 2001. He is expected to arrive in the third week of April 2001. We intend to hold Annual General Meeting subsequently. We would once again request you to kindly grant extension of 15 days for holding of meeting of Board of Directors."

4. The company was again advised through this Commission's letter dated April 11, 2001 to expedite the reply to the aforesaid show cause notice. In response to the said letter, Syed Fasih Ahmed, Officiating Incharge of the Company again requested for extension of meeting. As the company's response was found unsatisfactory, therefore, a hearing was fixed on May 14, 2001 and the Chief Executive and directors were informed through separate letters all dated May 10, 2001 to appear on the date fixed for hearing.

5. On the date of hearing, nobody appeared and instead a letter was received from the Company stating that:

"We would like to inform you that the SECP, vide letter No.JRE-111770 dated May 09, 2001, has already granted extension of holding Annual General Meeting upto June 30, 2001 u/s 170 of the Companies Ordinance, 1984 letter of which is enclosed for your reference.

After granting the extension for holding AGM upto June 30, 2001, we feel that the issuance of show cause notice for appearing directors does not seem necessary, however, if you still wish the directors to meet your Executive Director they will be available after May 20, 2001 as the Chairman and other directors are presently out of the Country."

6. As the Chief Executive and directors did not appear on the date of hearing and misinterpreted the direction of the Registrar given under Section 170 of the Companies Ordinance, 1984, the hearing was again fixed on May 15, 2001 on which date Mr. Naveed A. Wahid, director of the Company appeared and stated that the accounts for the year ended June 30, 2000 have been audited and AGM will be held shortly. He regretted the delay in holding the AGM and assured the timely holding of annual general meetings in future. Other directors, however, did not appear on the date fixed for hearing.

7. Before deciding the case, it is important to discuss the contention of the company regarding direction given by the Registrar under Section 170 of the Ordinance to the Company to hold the AGM by June 30, 2001.

8. The Company has contended that it has got extension under Section 170 of the Ordinance. This contention is not sustainable as there is a clear difference between extension allowed under Section 158 and direction given by the Registrar under Section 170 of the Ordinance. The provisions of Section 158 are mandatory which require every company to hold its AGM, not being first AGM within a period of six months following the close of its financial year and not more than fifteen months after the holding of its last preceding AGM. Under the said provisions the Commission is empowered to extend the time within which any AGM, not being the first such meeting, shall be held by a period not exceeding ninety days. The law does not envisage extension of more than ninety days. On the other hand Section 170 deals with overdue AGMs. If a Company fails to hold AGM within the stipulated time, it has to obtain direction from the Registrar for holding the said AGM. The direction under Section 170 of the Ordinance is, therefore, not an extension for the holding of annual general meeting but to hold a particular AGM after the default is made in holding the said AGM. In the instant case,

the Company was granted the maximum extension i.e. for a period of ninety days upto March 31, 2001 to hold its AGM. However, the company failed to hold the AGM even within the extended time. Having made the default, the Company has applied to the Registrar for direction to hold over due AGM, which was given by the Registrar through its letter dated May 09, 2001. The said direction given under Section 170 was qualified in terms of Para 3 of the said letter, which reads as under:

“ This direction shall be without any prejudice to the penal and civil consequences of the defaults on the part of the company and its management.”

9. Therefore, the direction obtained by the Company under Section 170 does not save any other action which may be taken under the provisions of the Ordinance for default of non-holding or late holding of AGM.

10. The upshot of the above discussion is that default under Sub-section (1) of Section 158 of the Ordinance is established and it is considered willful. The Chief Executive and directors have, therefore, made themselves liable under Clause (a) of Sub-section (4) of Section 158 of the Ordinance. However, taking a lenient view, I, impose a fine of Rs. 20,000 (Rupees twenty thousand only) on each of the following Directors including the Chief Executive of the Company:

1. Mr. Tahir Hassan, Chief Executive
2. Mr. Rashidullah Yaqoob, Director
3. Mr. Muhammad Naseemuddin Mirza, Director
4. Mr. Mohammd Tahir Siddiqui, Director
5. Mr. A.A.K. Sherwani, Director
6. Mr. Obaidullah Siddiqui, Director
7. Mr. Naveed A. Wahid, Director

11. The Chief Executive and the directors of the Company are directed to deposit the fine in the designated bank account of Securities and Exchange Commission of Pakistan, maintained with Habib Bank Limited within 30 days of the date of this Order and furnish a receipted challan to the Securities and Exchange Commission of Pakistan.

**RASHID SADIQ**  
(Executive Director)

**Announced**  
**May 25, 2001**  
**ISLAMABAD**