

Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*  
7<sup>th</sup> Floor, NIC Building, Jinnah Avenue, Blue Area, Islamabad.

*Before Rashid Sadiq, Executive Director*

*In the matter of*  
REGAL CERAMICS LIMITED

Number and date of show cause notice	19 (548) CF/ISS/2001 dated February 11, 2002
Date of final hearing	June 12, 2002
Present	None

## Order

This order will dispose of the proceedings initiated against M/S Regal Ceramics Limited (the “Company”) for failure to hold Annual General Meeting for the calendar year 2001 and to lay therein a balance sheet and profit and loss account for the year ended June 30, 2001.

2. The relevant facts of this case, briefly stated, are that the Company was required to hold its Annual General Meeting (the “AGM”) for the calendar year 2001 and to lay therein its balance sheet and profit and loss account for the year ended June 30, 2001 on or before December 31, 2001 as required under Sub-section (1) of Section 158 and Sub-section (1) of Section 233 of the Companies Ordinance, 1984 (the “Ordinance”). The failure of the Company to comply with the aforesaid mandatory requirements necessitated action against the Company, its directors and Chief Executive. A notice No.19 (548)/CF/ISS/2001 dated February 11, 2002, therefore, was issued to the Company, its Chief Executive and directors calling upon them to

show cause in writing within fourteen days as to why penalties as provided under Clause (a) of Sub-section (4) of Section 158 read with Section 476 of the Ordinance may not be imposed and prosecution proceedings may not be initiated under Sub-section (6) of Section 233 read with Sub-section (7) of Section 230 of the Ordinance.

3. In response to the aforesaid show cause notice, a letter was received from National Investment Trust Limited (NIT) on behalf of its nominee director namely Mr. Muhammad Asif stating that Mr. Mohammad Asif had already brought the defaults to the notice of the Company. In this regard, a copy of letter addressed to the Company Secretary was placed on record to indicate that the matter of non-holding of Annual General Meeting and presentation of accounts therein for the year ended June 30, 2001 was taken up by the nominee director to persuade the Company to rectify the aforesaid defaults. The Company, its Chief Executive and other directors, however, did not respond to the show cause notice.

4. In order to provide an opportunity of personal hearing, the case was fixed on April 23, 2002. However, no one appeared on the said date. In order to give another opportunity, the case was fixed on May 21, 2002, which at the request of the Company was adjourned and re-fixed on June 03, 2002, on which date Mr. Mohammad Iqbal, office superintendent of the Company appeared and stated that the Company was lying closed since year 2000 and all office and factory staff had been laid off. He further informed that the Chief Executive of the Company was in Karachi for the treatment of his ailing mother. A request was, therefore, made to adjourn the case to next week. Taking a sympathetic and indulgent view, the request was allowed and the case was fixed on June 12, 2002. On the date of hearing, however, no one appeared. This leads me to believe that the Company, its directors and Chief Executive have nothing to state in their defence. I, therefore, proceed to adjudicate this case on its merits.

5. The Company has not responded to the show cause notice nor attended the personal hearings fixed at the convenience of its directors and Chief Executive. The Company has also not taken any step to rectify the default on the persuasion of nominee director of NIT. Even there has been total failure on the part of the directors and Chief Executive to make efforts to convene the Annual General Meeting after the service of the show cause notice dated February 11, 2002. This

demonstrates that the directors and Chief Executive of the Company are deliberately and intentionally avoiding compliance with the mandatory provisions of the Ordinance.

6. Before proceeding to decide this case, I consider it necessary to highlight the importance of the strict observance of the aforesaid mandatory provisions by the companies. The protection of the investors is one of the primary objectives of the Ordinance. It is the investors who provide seed for capital formation. If the interest of the investors is protected they will save and invest more. Their interest is protected by transmission of timely and adequate information to them. It is the annual and half yearly accounts, which provide information to the investors about the affairs of the companies. This is necessary for making sound investment decisions by the investors. Annual General Meeting is a forum where the investors can freely discuss, speak and vote on the important matters like approval of accounts, appointment of auditors, election of directors and other important matters. It has unfortunately been noted that some companies are not observing these compulsory requirements of law. It is the duty of the Commission, which is the regulator to ensure the enforcement of the law to protect the interest of powerless small minorities to adequately safeguard their interests. The shareholders of the Company are not aware of the financials of the Company due to non- holding of Annual General Meeting and non- presentation of accounts therein for the year ended June 30, 2001. This irregularity is of a serious nature, which could lead to winding up of the Company in terms of Section 305 of the Ordinance.

7. From the aforesaid discussion, it is quite obvious that the Chief Executive and directors of the Company have failed to take necessary steps to carry their statutory obligations. As they have avoided appearance before me and also have not responded to the show cause notice and subsequent letters of the Commission, therefore, I consider that the default was committed willfully and deliberately.

8. In view of the foregoing, the default under Sub-section (1) of Section 158 of the Ordinance is established and the Company, its directors and Chief Executive have made themselves liable under Clause (a) of Sub-section (4) of Section 158 of the Ordinance. Punishment has been prescribed with the intention that the law should be observed. I, therefore,

taking a lenient view, impose a fine of Rs. 20,000/- (Rupees twenty thousand) on the Company and every director including its Chief Executive for default in complying with the provisions of Sub-section (1) of Section 158 of the Ordinance and for the continuous default, no further fine is imposed on the Company, its Chief Executive and directors, which is prescribed @ Rs 2,000/- per day. I give an opportunity to the Company, its Chief Executive and directors to rectify the irregularity by holding overdue Annual General Meeting immediately and hope that they would react honestly and reasonably. No fine, however, is imposed on Mr. Muhammad Asif who has taken sufficient steps to inform the Company of its obligation to hold its AGM and to present its annual accounts therein. In case the Company, its Chief Executive and directors do not respond positively to the aforesaid leniency and failed to observe the requirements of law, they will find themselves in difficulty in getting any lenient view in future.

9. The Company, its Chief Executive namely, Malik Saleem Ismail and directors namely, Mr. Muhammad Amin Ismail, Mr. J. Ali Shamsi, Mr. Ahmad Muhammad Hussain, Mr. Mahmood M. Hussain, Mr. Aziz ud din Hassanali, Mrs. S. Ali (Noor Jehan), Mr. Muhammad Amin Hassanali, Mr. Rahim Pervaiz Ismail are hereby directed to deposit the fine amounting to Rs 20,000/- each (aggregating Rs. 200,000/-) in the following head of account within 30 days of the receipt of this Order:

Account NO. 10464-6  
Habib Bank Limited  
Habib Bank Plaza, Shahrah-e-Quaid-e-Azam  
LAHORE.

***RASHID SADIQ***  
Executive Director (Enforcement and Monitoring)

**Announced**  
**June 12, 2002**  
**ISLAMABAD**