



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement & Monitoring Division

[Islamabad]

Before Rashid Sadiq, Executive Director

Order

In the Matter Of

M/S DADABHOY INSURANCE COMPANY LIMITED

[Order Under Sub-Section (2) Of Section 74 Of The Companies Ordinance, 1984]

Number and date of notice	U-980/EM/100-2001 dated August 29, 2002
Date of hearing	October 09, 2002
Present	Mr. Hashim Ali Shah, General Manager
Date of Order	June 30, 2003

Through this Order, I propose to decide the case pertaining to delay in transfer of shares of M/S Dadabhoy Insurance Company Limited, a company limited by shares and listed on the Karachi Stock Exchange (hereinafter called the “Company”).

2. The facts leading to this case, briefly stated, are that Mr. Abdul Ghafoor Awan filed a complaint with the Commission against the Company regarding non-transfer of 500 shares, sent by him to the Company on November 01, 2000 for transfer in his name. The complaint was forwarded to the Company vide letter dated November 06, 2001



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followed by five reminders. The response of the Company was finally received vide its letter dated December 26, 2001 intimating that the complainant had dispatched the shares on the address of Dadabhoy Cement Industries Limited which does not have any connection with the Company. The Commission vide letter dated December 31, 2001 advised the Chief Executive to investigate the matter and redress the grievance of the complainant without any further loss of time. Yet another reminder followed this letter on January 30, 2002. However, no response could be extracted from the Chief Executive of the Company.

3. In view of the unresponsive attitude of the Company and its Chief Executive, a notice dated August 29, 2002 was served on the Company, its Chief Executive and directors of the Company calling upon them to show-cause in writing as to why the penalties as provided for in Sub-section (2) of Section 74 of the Ordinance, may not be imposed on them for not transferring the shares sent by Mr. Abdul Gafoor Awan within forty five days of the receipt thereof.

4. No response was received from the directors except Mr. Shaukat-uz-Zaman Qadri and Mr. Aftab Ahmed Khan who informed that they had resigned as directors of the Company and as such were not responsible for any default. In order to give an opportunity of personal hearing to the directors, the case was fixed on October 09, 2002 on which date Mr. Hashim Ali Shah, General Manager appeared before me and promised to issue duplicate shares to the complainant on completion of legal formalities as provided under the law. Mr. Hashim Ali Shah, however,



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failed to produce any documentary evidence as regards intimation of change in registered office to the shareholders, stock exchanges etc., He was advised to issue the share certificate to the complainant without any further delay. However, after lapse of more than eight months the Company has neither approached the complainant nor has taken any step leading towards issue of share certificates to the complainant.

5. Before proceeding to decide this case, I consider it necessary to advert to the provisions of the Ordinance, which have been violated by the Company. Sub-section (1) of Section 74 requires that every company shall within forty five days after the application for transfer of shares complete and have ready for delivery the certificate of all shares and unless sent by post or delivered to the person entitled thereto, within that period, shall give notice of this fact to the shareholders immediately thereafter in the manner prescribed. The provisions of Sub-section (1) of Section 77 provide that the directors of company shall not refuse to transfer any fully paid up shares unless the transfer deed is, for any reason, defective or invalid. The Companies Ordinance also provides a procedure for refusal of transfer of shares. Sub-section (1) of Section 78 provides that if a company refuses to register transfer of any shares, the Company shall within thirty days after the date on which the instrument of transfer was lodged with the company send to the transferee notice of refusal indicating reasons for such refusal. It is to be noted that the shares in listed companies are freely transferable. Where the documents for the transfer, complete in all respect, are lodged with the company, the transferee becomes entitled to be registered as a member of the company.



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6. In the case in hand, I have noticed that firstly the Company and its directors have neither responded to the complainant nor to the Commission's several letters. Secondly no efforts were made to issue shares to the complainant after a considerable period of time. The directors of the Company did not even honour the commitment made by its General Manager at the time of the hearing. In these circumstances, the delay in issue of share certificates is considered deliberate and the directors of the Company have been found to be knowingly and willfully party to the said default. The delay in issue of share certificates attracts the penal provisions of Sub-section (2) of Section 74 of the Ordinance, which provides fine of Rs. 100 for every day during which default continues. As the directors have not been able to justify the default, therefore, they all are liable under the aforesaid penal provision. I, however, taking a lenient view impose per day fine of Rs.10/- (Rupees ten only) on each of the following directors of the Company:

- i) Mr. Noor Muhammad Dadabhoy
- ii) Mr. Muhammad Farooq Dadabhoy
- iii) Mr. Abdullah Dadabhoy
- iv) Mr. Abdul Rehman Dadabhoy
- v) Mr. Abdul Rahim Dadabhoy
- vi) Mr. Usman Dadabhoy

It may be noted that since Mr. Shaukat-uz-Zaman Qadri and Mr. Aftab Ahmed Khan were not directors of the Company at the time of the default,



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they are not held responsible for it and accordingly, no fine is imposed on them.

7. The directors of the Company are directed to deposit the fine amounting to Rs. 9,170/- each, aggregating to Rs. 55,020/- (Rupees fifty five thousand and twenty only) 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.

8. The directors of the Company are directed to transfer the shares within 15 days of the date of this Order. This direction is being given under Section 473 of the Ordinance non-compliance of which shall render the directors of the Company liable for punishment under Section 495 of the Ordinance

Rashid Sadiq

Executive Director (Enforcement & Monitoring)

Announced
June 30, 2003
ISLAMABAD