

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*  
**Quality Steel Works Limited**

|                           |   |
|---------------------------|---|
| Number and date of notice | EMD/233/429/2002<br>dated July 03, 2002 |
| Date of hearing           | July 10, 2002                           |
| Present                   | Mr. Farooq Akhtar                       |

**ORDER UNDER SUB-SECTION (3) OF SECTION 150  
READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984**

This is a case of violation of the provisions of Section 150 of the Companies Ordinance, 1984 (the “Ordinance”) pertaining to supply of copies of the register of members to the shareholders and other persons. In order to appreciate the issue in hand, it is necessary to look at the relevant background facts of this case.

2. Mr. Akbar Abdullah, a shareholder (hereinafter called the “Complainant”) of M/S Quality Steel Works Limited (the “Company”) lodged a complaint in this Commission that the Company was ignoring his request to provide him a copy of

the list of shareholders/register of members. The complaint was sent to the Company through this Commission's letter dated June 04, 2002 with the advice to send the list of shareholders to the complainant in accordance with the provisions of Sub-section (2) of Section 150 of the Ordinance. The Company did not give any response to the aforesaid letter of the Commission. Subsequently, the complainant informed that the Company as per its letter dated June 25, 2002 has demanded an amount of Rs 29,250/- at the rate of Rs 250 per page for sending a copy of the list of shareholders comprising 117 pages. The complainant also approached Karachi Stock Exchange (Guarantee) Limited (the "KSE") for redressal of his grievance. The Company, however, did not pay any heed to the Karachi Stock Exchange letter dated July 02, 2002 and a copy of the list of shareholders demanded by KSE under its listing regulations was not provided to them by the Company till the announcement of this order.

3. The Commission was deeply concerned at the delay in supply of copy of register of members and unreasonable high amount demanded by the Company from the complainant. As the delay in the supply of copies of member register and demand of the unreasonable amount from the complainant, *prima facie* constituted a violation of Sub-section (2) of Section 150 of the Ordinance and Rules framed thereunder, therefore, it was decided to examine this matter in detail.

4. Consequently, a notice dated July 03, 2002 was served on the Company, its Chief Executive and the directors to show cause as to why fine may not be imposed on them for the aforesaid contraventions. No response was received from the Company or its Chief Executive and directors to the aforesaid show cause notice. In order to provide an opportunity of personal hearing, the case was fixed on July 10, 2002 on which date Mr. Farooq Akhtar of M/S Azam Chaudhry Law Associates appeared before me on behalf of the Company, its directors and Chief Executive and argued this case. He did not file any written submissions.

5. At the time of hearing, Mr. Farooq Akhtar contended that the Board of directors has fixed an amount Rs. 250/- per page for supply of copies of register of members in terms of Sub-section (2) of Section 150 of the Ordinance. He was of the view that the directors could fix any amount for the supply of copies of register of members. He, however, could not produce copy of the resolution passed by the Board of Directors for fixing the charges under Sub-section (2) of Section 150 of the Ordinance. Mr. Farooq Akhtar, however, agreed to lower the amount fixed by the directors in case the Commission considered it unreasonable. With regard to the delay in sending copies of the documents under Sub-section (2) of Section 150 of the Ordinance, he contended that the time period of 10 days stipulated in the aforesaid provisions would commence once the member deposits the fee.

6. Before I deal with the contentions of the Company, it is necessary for me to advert to the relevant provision of the Ordinance and the rules framed there under, which contain the requirements for supply of copies of register of members to the members of the Company and other persons. Section 150 of the Ordinance deals with the rights of members, debenture holders or any other person to inspect register of members and take extracts or copies thereof. Its Sub-section (2) provides that any member or any other person may require a certified copy of register of members or index thereof or any part thereof on payment of such amount not exceeding the prescribed amount as the Company may fix and the Company shall cause any copy so required by any person to be sent to that person within a period of ten days, exclusive of non-working days and days on which the transfer of books of the Company are closed, commencing on the day next after the day on which the requirement is received by the Company. The provisions of Section 471 of the Ordinance provides that the maximum limits of fees to be paid to or charged by the companies and liquidators from members, creditors or other persons for supply of copies of documents, inspection of records and other services as are required to be

provided under this Ordinance shall be such as may be prescribed. Rule 24 of the Companies General (Provisions and Forms) Rules, 1985 (the “Rules”) prescribes the maximum fee to be charged by the companies for supply of copies under Section 150 of the Ordinance. Since the fee of Rs. 250 per page demanded by the Company is the main point in this case, therefore, the aforesaid Rule is, to the extent relevant, reproduced hereunder:

*“The fee to be charged by a company under Section 136, 150, 471 or any other provisions of the Ordinance for inspection of any document or register or for the supply of any copy thereof to a person, other than a creditor or a member of the company, shall not exceed the fee specified in Sixth schedule for the inspection of a document or register or for the supply of a certified copy of an extract of any document or register kept by the Registrar”.*

The sixth schedule to Ordinance prescribed the following fee for supply of copies of documents or register:

*“For a certified copy or extract of any other document or register, a fee calculated at the rate per page or fractional part thereof required to be copied, subject to a minimum of twenty rupees for any one copy or extract thereof, a fee of - **Rupees 20.**”*

In view of the above provisions, the directors cannot fix an amount higher than the amount prescribed under the Rules for supply of copies of the register of members. With regard to the time period, I am of the view that firstly the Company has taken unreasonably long period in responding the complainant and secondly the Company has demanded very high amount, which is contrary to the Rules. The argument of the Company on this account, therefore, is not sustainable.

7. At this point I would like to refer to the importance of the provisions of Section 150 of the Ordinance. The objective of these provisions is to facilitate the information to the shareholders and other persons interested in the affairs of a company. The companies are required to send copies of register of the members to the shareholders within the stipulated period of time on payment of fee fixed by the Company not exceeding the amount prescribed under the Rules. These provisions also obliged the Company to provide copies of register of members even to any person other than the members of the Company. The right to receive copies of register of members is a statutory right of the shareholders of a company. This right cannot be denied on the ground of any *mala fide motives*.

8. Reverting to the arguments of the Company, it is noted that Complainant requested for a copy of document under Sub-section (1) of Section 150 of the Ordinance through his letter dated May 24, 2002. The Company demanded Rs.29,250/- @ Rs. 250/- per page for the said document comprising 117 pages vide its letter dated June 25, 2002. The fee to be charged by the companies has been prescribed under the Rules and the Company could not fix an amount higher than the amount fixed under the Rules. The Company, however, is free to fix any amount lower than the prescribed amount. The amount of Rs. 250/- per page fixed by the directors is, therefore, not in accordance with the provisions of Section 150 and the Rules, which fix a maximum amount of Rs. 20/-per page for any other person. In the case of shareholders, the amount to be charged cannot be more than Rs. 20/-. The Company, however, can fix a lower amount to facilitate the supply of copies of register of members to its shareholders. I have noted with great concern that the Company has not promptly responded to the complaint and have also not paid any heed to the correspondence of the Commission and the KSE. The Company replied to the complaint letter of May 24, 2002 through its letter dated June 25, 2002. i.e. after 32 days. This inordinate delay on the part of the directors and demand of unreasonable high amount indicate that the directors have deliberately and

intentionally avoided sending copies of the register of members to the Complainant. This also amounts to deprivation of the members of their statutory rights to get copies of the members register. If the shareholders are deprived of their statutory rights, this may result in lack of confidence among them, which goes against the interest of the investors and the companies. This issue also assumes importance in view of the fact that the Company has not held its Annual General Meetings for the last three calendar years in spite of the proceedings initiated against the Company and its directors and issuance of direction by the Commission. Thus, the shareholders were deprived of their statutory rights to receive annual accounts of the Company.

9. The failure of the Company to send copies to the complainant in accordance with Sub-section (2) of Section 150 of the Ordinance and Rule 24 of the Rules constitutes an offence punishable under Sub-section (3) of Section 150 of the Ordinance. I, therefore, impose a fine of Rs. 2,500 (Rupees two thousand five hundred only) on the Company and every director including Chief Executive of the Company for delay in sending of copies under Sub-section (2) of Section 150 of the Ordinance.

10. The Company is directed to send copies of the register of members to the complainant within 10 days of the date of this Order on payment of Rs. 20/- per page prescribed by the Rules unless the Company wish to fix a lower amount for its members. In case of non-compliance, action will be taken against the directors under Section 492 of the Ordinance.

11. The Company, its Chief Executive namely Mr. Muhammad Ziauddin, and directors namely Mr. Muhammad Farooq, Mr. Saeed Khan, Mr. Ahsan Ahmed, Mr. Mushtaq Ahmed, Mr. Irshad Ahmed and Mr. Muhammad Ismail Mukaddam are hereby directed to deposit the fine amounting to Rs. 2,500 each (aggregating Rs. 20,000) in the designated bank account of Securities and Exchange Commission of

Pakistan within 30 days of the receipt of this Order and furnish receipted challan to this Commission.

12. I expect from the directors and Chief Executive of the Company that they would ensure strict compliance of the provisions of law in future.

***Rashid Sadiq***

Executive Director (Enforcement and Monitoring)

**Announced**  
**Islamabad**  
**July 15, 2002**