



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Enforcement Department

Before Javed K. Siddiqui, Executive Director (CL)

In the matter of

M/s. Quality Steel Works Limited

(Under Sub-section (4) of Section 158 of the Companies Ordinance, 1984)

No. and date of show cause notice	EMD/Enf-II/492/2004 Dated December 6, 2004
Date of hearing	March 30, 2005
Present	Mr. Amir Aziz, Advocate
Date of Order	April 18, 2005

ORDER

This Order shall dispose off the proceedings initiated against the Chief Executive and directors of M/s. Quality Steel Works Limited (hereinafter referred to as the “Company”) for defaults made in complying with the provisions of Sub-section (1) of Section 158 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The facts leading to this case, briefly stated, are that in terms of the provisions of Sub-section (1) of Section 158 of the Ordinance, the Company was required to hold its Annual General Meeting (the “AGM”) for the year ended June 30, 2004 on or before October 31, 2004. Failure of the Company to comply with the aforesaid mandatory requirement necessitated action against the Directors in terms of Sub-section (4) of Section 158 of the Ordinance. Accordingly, a show cause notice dated December 6, 2004 was served calling upon them to show cause as to why penal action may not be taken against them under Sub-



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section (4) of Section 158 read with Section 476 of the Ordinance for the aforesaid contravention.

3. In response to the show cause notice, a letter dated December 21, 2004 was received from one of the Directors wherein it was requested to condone the delay as the Company according to him has been closed due to severe financial crises and labour unrest for the past two years. Since the reply to show cause notice was not found satisfactory, and to give an opportunity to Directors to explain their position, a hearing in the matter was fixed for January 6, 2005. On request of the Company it was adjourned to January 17, 2005 and further to January 26, 2005. However, on January 25, 2005 a letter was received where request for adjournment was repeated. In order to meet the ends of justice, the matter was finally fixed for March 30, 2005 at Karachi where the registered office of the Company is situated. A representative of the Company appeared on the date of hearing without any proper authorization from the Board of Directors and requested for grant of further adjournment due to non-availability of Company's Counsel. In order to give the Directors ample opportunity, he was advised that in case the Directors intend to pursue the matter, the counsel may appear for hearing anytime till the close of business hours on March 30 or March 31, 2005 at Karachi.

4. Subsequently, on March 31, 2005, Mr. Amir Aziz, Advocate appeared on behalf of the Directors and admitted the default. He almost repeated the same arguments of financial crisis and labour unrest as already given by one of the Company's Director through letter dated December 21, 2004. He had no cogent reason for not holding the annual general meeting. He was advised to provide power of attorney for appearing at the hearing on behalf of the Directors, duly signed by all the Directors. However, authorisation from only one Director has been received till the date of signing of this order. It appears that the other Directors are either evading to attend the hearing or have nothing to say in their defense.

5. I have given due consideration to the relevant provisions of law governing holding of annual general meetings and arguments advanced by the learned Counsel for failure to hold



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the annual general meeting within the mandatory time period. However, none of them justify the default and the arguments advanced by him are irrelevant to the case. The Directors seem to be avoiding the responsibility bestowed on them by law, for holding AGM with in the prescribed time. Annual General Meeting is an important institution for the protection of the interests of the shareholders of the company. The ultimate control and destiny of any company is in the hands of its shareholders. A General meeting is the forum where the shareholders come together once in a year and review the working of their company and are also able to discuss, speak and vote on the significant matters like approval of accounts, appointment of auditors, election of directors and other important issues relating to performance of the Company. This meeting affords that opportunity. The arguments of financial crises, labour unrest, closure of business etc. do not justify non-holding of annual general meeting. In fact, the shareholders would have discussed these very issues if a meeting was duly convened.

6. I am, therefore, constrained to believe that the Directors and the Chief Executive have deprived the shareholders of their statutory right to attend the annual general meeting and discuss various important issues of the Company by not holding the annual general meeting for the year ended June 30, 2004 within the prescribed time limit.

7. From perusal of track record of the Company in holding of annual general meetings, it is apparent that in the past also, the management has committed same defaults for which penalties were imposed on the Chief Executive and Directors of the Company which have not been deposited as yet. Repetition of the same default shows that the management of the Company does not take the provisions of law seriously. Accordingly, the default under Section 158 is considered willful and deliberate, which attracts the penal provisions of Sub-section (4) of Section 158 of the Ordinance.

8. However, in view of the assurance given by the learned Counsel for timely compliance in future by the Directors, instead of imposing a fine of Rs. 50,000/ on every Director and a further fine of Rs. 2,000/ per day for the continuous default of 170 days till the



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date of signing of this order, I in exercise of the powers conferred on me under Sub-section (4) of Section 158 read with Section 476 of the Ordinance impose only Rs. 50,000/ on the Chief Executive and each Director in the following manner:

S. No	Name of Director	Penalty
1	Mr. Muhammad Ziauddin, Chief Executive	Rs. 50,000/
2	Mr. Salman Ali, Director	Rs. 50,000/
3	Mr. Ismail Mukaddam, Director	Rs. 50,000/
4	Syed Haider Abbas Zaidi, Director	Rs. 50,000/
5	Mr. Mushtaq Ahmad, Director	Rs. 50,000/
6	Mr. Ashfaq Ahmad, Director	Rs. 50,000/
7	Mr. Muhammad Arif, Director	Rs. 50,000/
	Total	Rs. 350,000/

9. The Chief Executive and other Directors of the Company are hereby directed to deposit within 30 days of the date of receipt of this order, the aforesaid fine totaling to Rs.350,000/- (Rupees three hundred and fifty thousand only) in the Commission's designated bank account No. 10464-6 maintained at Central Branch-2, HBL Plaza, I.I Chundrigar Road, Karachi or pay by a DD/Pay order issued in the name of Commission and send a copy of the receipt to the Commission for information and record, failing which proceedings under the Land Revenue Act, 1967 will be initiated which may result in the attachment and sale of movable and immovable property.

It may also be noted that the said penalties are imposed on the Chief Executive and other Directors in their personal capacity who are required to pay the said amount from their personal resources.

Javed K. Siddiqui
Executive Director (CL)



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