



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 (3) of Section 245 of the Companies Ordinance, 1984.)

No. & date of show cause notices

EMD/Enf-II/492/2004 -dated
15 April'04, 29 July'04 & 10 Feb'05

Date of hearing

March 30, 2005

Present

Mr. Amir Aziz, Advocate

Date of Order

April 18, 2005

Order

This Order shall dispose of the proceedings initiated against the Chief Executive and other 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 245 of the Companies Ordinance, 1984 (the "Ordinance").

2. The facts of this case, briefly stated, are that in terms of the provisions of Section 245 of the Ordinance, the Company was required to prepare and transmit to the members its quarterly accounts for the 2nd quarter ended December 31, 2003 latest by February 28, 2004, its 3rd quarter accounts for the quarter ended March 31, 2004 latest by April 30, 2004, and its 1st quarter accounts for the quarter ended September 30, 2004 latest by October 31, 2004 and file simultaneously the same with the respective Stock Exchange, the Registrar and with the Commission respectively. As the Company failed to file the aforesaid accounts with the Commission within the prescribed time, three separate show cause notices dated April 15, 2004, July 29, 2004 and February 10, 2005 were served upon the Chief Executive and other directors of the Company calling upon them to explain as to why penalties as provided under Sub-section (3) of Section 245 read with Section 476 of the Ordinance may not be imposed upon them for the aforesaid contraventions.



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3. In response to the aforesaid notices, letters dated August 12, 2004, October 23, 2004 and February 25, 2005 were received wherein it has been contended that quarterly accounts have not been prepared due to severe financial constraints faced by the Company due to which all activities including sales, production of the Company, etc. have come to a halt. It was further contended that the management is striving hard for revival of the Company.

4. In order to provide an opportunity of hearing, all cases were fixed for hearing on March 30, 2005 at Karachi where the representative of the Company appeared without any proper authorization from the Board of Directors and requested for grant of adjournment due to non-availability of Company's Counsel. In order to give the directors ample opportunity, he was advised that incase 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.

5. On March 31, 2005, Mr. Amir Aziz, Advocate Counsel for directors appeared and admitted the default. He almost repeated the same arguments already given by the Company through its various letters/replies. He further submitted that since the Commission has so far not received any complaint from any shareholder of the Company hence no action can be taken against the directors for non-transmission of its quarterly accounts. He was advised to provide power of attorney duly signed by all directors however, authorisation from only one director has been received till the date of this order. It appears that the other directors have either nothing to say in their defense or trying to evade their representation at the hearing.

6. I have given due consideration to the written submissions by the Directors and points raised by the learned Counsel and found that these do not justify the defaults in preparation of quarterly accounts of the Company. I do not find any force in the argument of the learned Counsel that since no complaint has been received by the Commission from the shareholders, hence no action should be taken against the defaulting company. As a matter of fact, happening or lack of it, of any event cannot be accepted as an excuse for violation of the Law, which must be viewed with contempt, nor are the powers vested with the Commission under Section 245, contingent on receipt of a complaint from a shareholder. The Directors of the Company are required to ensure full compliance with all statutory requirements well in time. The Directors have defaulted earlier also in submission of quarterly accounts and have failed to prepare and transmit these since the year 1999 for which various penalties were also imposed which are not deposited till date. It appears that the Directors do not take the provisions of law seriously and have scant respect for the law which is also clear from the track record of the Company. The directors have thus violated the



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mandatory provisions of Section 245 of the Ordinance by not preparing and transmitting quarterly accounts within the prescribed time.

7. Under the circumstances, I am of the opinion that the contentions of the Directors do not justify the defaults committed by non-transmitting its quarterly accounts. As such the default under Section 245 of the Ordinance is established. Therefore, in exercise of powers conferred upon me under Section 245 read with Section 476 of the Ordinance and keeping in view the past record of the Company in complying with the requirements of the Law, I impose a fine of Rs. 100,000/- (Rupees one hundred thousand only) each on the Chief Executive and all Directors of the Company in the following manner:

S. No	Name of Director	Penalty
1	Mr. Muhammad Ziauddin, Chief Executive	Rs. 100,000/-
2	Mr. Salman Ali, Director	Rs. 100,000/-
3	Mr. Ismail Mukaddam, Director	Rs. 100,000/-
4	Syed Haider Abbas Zaidi, Director	Rs. 100,000/-
5	Mr. Mushtaq Ahmad, Director	Rs. 100,000/-
6	Mr. Ashfaq Ahmad, Director	Rs. 100,000/-
7	Mr. Muhammad Arif, Director	Rs. 100,000/-
	Total	Rs. 700,000/-

8. 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.700,000/- (Rupees seven hundred 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 by a DD/Pay order issued in the name of Commission and sent 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.

Javed K. Siddiqui
Executive Director (CL)