



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
***Enforcement Department***

**[Islamabad]**

***Before Ashfaq Ahmed Khan, Director***

***Order***

*In the matter of*

**M/S. Farooq Habib Textile Mills Limited**

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

Number and date of show cause notices	EMD/233/116/2002 dated April 09, 2002
	EMD/Enf-II/116/2003 dated April 07, 2004
Date of final hearing	July 21, 2004
Present	Mr. Muhammad Aslam Awan, ACA Authorized Representative
Date of Order	August 06, 2004

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This order shall dispose of the proceedings initiated against Farooq Habib Textile Mills Limited (hereinafter referred to as the “Company”) and its directors including the Chief Executive for default made in complying with the provisions of Section 158 of the Companies Ordinance, 1984 (“the Ordinance”).

2. The facts leading to this case 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 Meetings (the “AGMs”) for the years ended September 30, 2001, September 30, 2002 and September 30, 2003 on or before March 31, 2002, March 31, 2003 and January 31, 2004 respectively. The Company failed to comply with the aforesaid mandatory requirement by non-holding of its AGMs within the stipulated period of time, which necessitated action against the Company and its directors in terms of Sub-section (4) of Section 158 of the Ordinance. Accordingly, three show cause notices dated April 09, 2002 and April 07, 2004 were served on the Company and all the directors including its Chief Executive calling upon them to show cause as to why penalties as provided under



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
*Enforcement Department*

Sub-section (4) of Section 158 read with Section 476 of the Ordinance may not be imposed on them.

3. In response to the notice dated April 09, 2002, the Company Secretary, the Chief Executive and all directors furnished their reply vide their letters dated April 18, 2002 while the notices dated April 07, 2004 were responded by the Chief Executive of the Company only vide his letters dated April 19, 2004. In the written replies it was stated that as the Company has applied for delisting from the Karachi and Lahore Stock Exchanges, therefore the status of the Company has changed from public listed to public limited on which the provisions related to listed companies are not applicable. It was further contended that the Company has held its AGMs within the prescribed time and has complied with all the requirements as applicable to a public company.

4. In order to give an opportunity of personal hearing the matter was fixed a number of times. The final hearing was held on July 21, 2004. On the date of hearing, Mr. Muhammad Aslam Awan of M/s. Sarwar Awan & Co., Chartered Accountants, appeared before me to argue the case on behalf of all the respondents. He also filed a written reply. During the course of hearing, Mr. Aslam reiterated almost the same arguments as were earlier offered by the Chief Executive and directors in their written replies dated April 18, 2002 and April 19, 2004 respectively. He submitted that the Company applied for delisting from Karachi and Lahore Stock Exchanges in September 2001, which was duly approved by the Board of Directors in October 2001. Further the Company held an Extra Ordinary General Meeting on November 24, 2001 and a Special Resolution was passed for voluntary delisting. It was further stated that as the buy back process of shares in stock exchange has been completed, hence the status of the Company is public limited on which provisions applicable to listed companies do not apply. He further submitted that despite completion of formalities the KSE did not delist the Company as the SECP has stopped them from doing so on the basis of a complaint filed with the SECP by M/s. Yawar Farooqui, Advocates, on behalf of their clients M/s. BNP



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
*Enforcement Department*

(Switzerland) which had a dispute with M/s. Golden Gulf Textile Mills, their sister concern, having common directors. He further submitted that the sponsors have purchased all the shares from the minority shareholders except the sponsors' shares and hence there is no public interest. He contended that had the SECP not imposed restrictions on its delisting, the Company would have been delisted from the Stock Exchanges since long and consequently there would have been no default under Section 158 of the Ordinance. He further stated that the Company has held its AGMs within the prescribed time and has complied with all the requirements applicable to a public company as it was presumed that the status of the Company is public limited.

5. Having considered the submissions of the respondents, I am of the opinion that the contentions of the respondents do not carry any merit. The Company is still listed on the Karachi & Lahore Stock Exchanges, hence the plea of the respondents that the status of the Company is public limited is not acceptable. As long as a Company is listed on the Stock Exchange it has to comply with all the requirements of the Companies Ordinance, 1984 and all other laws as applicable to the listed companies. The Company has thus breached the mandatory provisions of Section 158 of the Ordinance.

6. However, in view of the fact that the management has bought back Company's shares from the public, I am inclined to take a lenient view in the matter and impose the following minimum fines as provided under Sub-section (4) of Section 158 of the Ordinance on the Chief Executive of the Company only:-

<b>Year ended</b>	<b>Penalty ( in Rupees)</b>
September 30, 2001	10,000
September 30, 2002	10,000
September 30, 2003	20,000
<b>Total</b>	<b>40,000</b>

7. The Chief Executive of the Company is hereby directed to deposit the aforesaid fines aggregating to Rs. 40,000 (Rupees forty thousand only) in the designated bank



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
*Enforcement Department*

account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited within thirty days from the receipt of this order and furnish receipted challan to the Commission, failing which proceedings for recovery of the fines as arrears of land revenue will be initiated.

*Ashfaq Ahmed Khan*  
Director

***Announced:***  
*August 06, 2004*  
**ISLAMABAD**