



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Enforcement and Monitoring Division  
NIC Building, Jinnah Avenue, Blue Area, Islamabad

Before M.Zafar-ul-Haq Hijazi, Commissioner (E & M)

*In the matter of*  
**M/s. Zahur Textile Mills Limited**

Number and date of show cause notice under Section 158 (for non holding of AGM for the year ended 30.09.2002)	EMD/233/291/2002/5933-42 April 10, 2003
Number and date of show cause notice under Section 245 (for non-filing of half yearly accounts for the period ended 31.12.2002)	EMD/233/291/2002/5952-60 April 10, 2003
Date of hearing	July 31, 2003
Present	Mr. Ijazul Haque, Company Secretary/Director Mr. Muhammad Akram Awan, Counsel for nominee director of PICIC

## **Order**

This Order shall dispose of the proceedings initiated against M/S. Zahur Textile Mills Limited (hereinafter referred to as the "Company") and its directors for default made in complying with the provisions of Sub-section (1) of Section 158 and Sub-section (1) of Section 245 of the Companies Ordinance, 1984 (the "Ordinance").

2. The underlying facts of this case briefly stated are that the Company was required to prepare and transmit to the members and simultaneously file with the Commission quarterly accounts for the quarter ended December 31, 2002 on or before January 31, 2003 and was also required to hold its annual general meeting (AGM) for the Calendar year 2003 on or before March 31, 2003, in which it failed. Consequently, two show cause notices of even number dated April 10, 2003 were issued to the Company, its chief executive and directors calling upon them to show cause in writing as to why penalty as provided under Sub-section (4) of Section 158 and Sub-section (3) of Section 245 of the Ordinance may not be imposed upon them for the aforesaid contraventions.



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3. In response to the show cause notices, none of the directors filed any reply except Mr. Saifullah Khan, nominee director of PICIC who vide his letter dated April 23, 2003 submitted that being nominee director, he has no administrative control over the affairs of the Company, however, he has been repeatedly reminding the Company for compliance of the statutory requirements of law. In support of his arguments he also filed a copy of his letter dated May 3-0, 2002, insisting on the Chairman of the Company to hold AGM and prepare annual, half yearly and quarterly accounts. A copy of the said letter was also sent to the Commission at that time. In view of these submissions he requested that the show cause proceedings against him may be dropped. In order to give an opportunity of personal hearing to the directors the case was fixed a number of times, the final date being July 31, 2003. On the date of hearing Mr. Ijazul Haque, Company Secretary/Director appeared on behalf of directors of the Company and Mr. Muhammad Akram Awan appeared on behalf of Mr. Saifullah Khan, nominee director of PICIC.

4. At the time of hearing, Mr. Ijazul Haque submitted that the Company fired its head of computer department, who on account of dispute on the amount of dues corrupted the computer data, due to which finalization of accounts was delayed. He further explained that the Company intends to hold AGM by November 22, 2003 since the accounts have been finalized and audit would start shortly. He also requested to condone the default, as it was not intentional and willful. Mr. M. Akram, appearing on behalf of Mr. Saifullah Khan, nominee director of PICIC repeated the same arguments as were earlier submitted in reply to the show cause notice. .

5. I have, given due consideration to the submissions of the directors, however, none of them in my view are tenable. The Company has failed to comply with the requirements of holding of AGM and preparation and submission of quarterly accounts. It appears that the directors have no respect to these mandatory provisions of law, which is also strengthened from the fact that the management has also *prima facie* failed to run the Company in accordance with



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sound business principles and prudent commercial practices as is evident from the auditors report on accounts for the year ended September 30,2001 wherein the auditors have expressed their reservation regarding the ability of the Company to continue as a going concern. The Company's past record is also unsatisfactory as the management of the Company has been found habitual in defaults for holding of the AGMs and submissions of half yearly and quarterly accounts instead of making serious attempts to ensure compliance with the requirements of law. As far as nominee director of PICIC Mr. Saifullah Khan is concerned his reply has been found to be satisfactory, as he had performed his duties by pursuing the management to ensure the compliance of mandatory provisions of law.

6. Taking into account all the relevant facts and circumstances of this case and the past record of the Company, I feel that the defaults under Section 158 and Section 245 were intentional and willful. However, taking a lenient view, I impose a fine of Rs. 12,000/- only for non-holding of annual general meeting under Section 158 of the Ordinance instead of imposing maximum fine of Rs. 20,000/- and a further fine for continuous default @ Rs. 2,000/- per day and for default under Section 245 a fine of Rs.. 7,500/- only is imposed instead of imposing maximum fine of Rs. 100,000/- and a further fine for continuous default @ Rs. 1,000/- per day, on the Chief Executive and the following directors of the Company:

Name	Section 245	Section 158	Total Rupees
	31.12.02	30.09.02	
Mr. Arif Zahur, Chairman/ Director	7,500	12,000	19,500
Mr. Mohsin Zahur, Chief Executive	7,500	12,000	19,500
Mr. Raza Arif, Director	7,500	12,000	19,500
Mr. Ijaz-ul-Haque, Director	7,500	12,000	19,500
Mr. Saeed Ullah Chaudry, Director	7,500	12,000	19,500
Lt.Col(Rtd.) Afzal Muzaffar, Director	7,500	12,000	19,500
Mr. S.M. Akhtar, Director	7,500	12,000	19,500
<b>Total</b>	<b>52,500</b>	<b>84,000</b>	<b>136,500</b>



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7. The Chief Executive and the directors of the Company are directed to deposit the fine imposed upon them in the designated bank 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 the receipted challans to the Commission.

**M. Zafar-ul-Haq Hijazi**  
Commissioner (Enf)

August 06, 2003  
**ISLAMABAD**