



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Before Javed K. Siddiqui, Executive Director (Company Law)

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 April 01, 2005 & June 02, 2005
Date of hearing	August 09, 2005
Present	Mr. Mansur A. Sheikh, Advocate
Date of Order	August 17, 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, 2004 and 3rd quarter ended March 31, 2005 latest by February 28, 2005 and April 30, 2005 respectively and file simultaneously the same with the respective Stock Exchange, the Registrar and with the Commission. As the Company failed to file the aforesaid accounts with the Commission within the prescribed time, show cause notices dated April 01, 2005 and June 02, 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.

3. In response to the show cause notice dated April 01, 2005, one of the Directors of the Company submitted vide his letter dated April 16, 2005 on behalf of all the Directors that the quarterly accounts could not be filed due to closure of the unit, paucity of funds and non availability of staff. He requested to condone the default in submission of accounts and allow them time to submit the same.



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4. In order to provide an opportunity of hearing, the matter was fixed for hearing on June 23, 2005, which was adjourned by the Commission to July 15, 2005. In response to the hearing notice, Mr. Mansur A. Sheikh, Advocate, High Court of Sindh, contended on behalf of all the Directors vide his letter dated July 05, 2005 that the Company is not in operations and is literally lying closed. He further stated that the officers of the Company have left the services whereas its Chief Executive is suffering from illness and is out of Country since last one year. It was further contended that the General Manager who prepared the accounts has left the Company. It was further submitted that the Directors are not responsible for preparation of accounts but it is the Company, which is required to transmit these accounts. Request for adjournment of hearing was also made. The hearing was, therefore, adjourned and re-fixed for August 09, 2005.

5. On the date of hearing, Mr. Mansur A. Sheikh, Advocate/ Counsel for Directors appeared to argue the case on behalf of the Directors. He, while admitting the default, contended that the Company is literally closed and not functioning. There is no staff to prepare accounts. He further added that Directors have not committed the default willfully and knowingly. However, no cogent reason could be offered by him to defend the default.

6. I have given due consideration to the written submissions as well as arguments advanced by the learned Counsel at the time of hearing and found that the same do not justify the defaults committed under Sub-section (1) of Section 245 of the Ordinance. The argument of financial crisis and closure of business is not a valid reason to justify the default. Every Company is required to comply with requirement of the law at all times during its existence. The plea that the Directors of the Company are not responsible but it is the Company, which is responsible for non-filing of accounts, is also illfounded and is not based on established principles of the Company Law. Management of the Company and all powers relating thereto are vested exclusively in the Board of Directors and the Board is, therefore, collectively responsible for ensuring compliance with the law and for any default regarding non-filing of accounts. The Directors of the Company cannot, therefore, evade the performance of their duties under the Companies Ordinance on a plea that the officers and staff who prepared the accounts have left the services of the Company. Since the Directors were in full knowledge of the default and they were also penalized for similar defaults in earlier quarters also, the plea that the default has not been committed willfully or knowingly is not sustainable. It is their duty not to be mere passive spectators of what is going on but to see and make necessary attempts that the statutory requirements are fulfilled. The Directors have defaulted earlier also in submission of quarterly accounts and have failed to prepare and transmit these accounts since the year 2000, for which various penalties were also imposed upon them which penalties



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have not been not deposited till date. Preparation of periodical accounts for a Company, which has suspended business is not an uphill task. The same could have been easily done without spending substantial amounts had the Directors made serious efforts for this. Any part time Accountant or a firm of Accountants/Auditors could have done the job in much less an amount the Company/Directors are spending in hiring legal consultants from time to time to defend their default under Section 245. It appears that the Directors do not take the provisions of law seriously and have no respect for the law. The plea of the Counsel that the Chief Executive of the Company is suffering from illness and is out of Country since last one year does not absolve him of the responsibilities entrusted upon him under the law.

7. Under the circumstances, I am of the opinion that the contentions of the Directors do not justify the defaults committed by them. As such the default under Section 245 of the Ordinance is established. Therefore, in exercise of powers conferred upon me under Sub-section (3) of 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 fines 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 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



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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)