



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Before Dr. Sajid Qureshi, Executive Director (Company Law)

In the matter of
M/s. Kashmir Polytex Limited
(Under Sub-section (3) of Section 245 of the Companies Ordinance, 1984)

Number and date of show cause notice	EMD/Enf -II/307/2005 dated June 02, 2005
Date of hearing	November 22, 2005
Present	Mr. Muhammad Ashraf Khan, Chief Executive
Date of Order	December 15, 2005

Order

This Order shall dispose of the proceedings initiated against the Directors of M/s. Kashmir Polytex Limited (hereinafter referred to as the “Company”), for default made in complying with the provisions of Sub-section (1) of Section 245 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The facts leading to 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 and simultaneously file with the Registrar and the Commission its quarterly accounts for the 3rd quarter ended on March 31, 2005 by April 30, 2005. The Company failed to file the aforesaid accounts within the prescribed time. The failure of the Company to comply with the aforesaid requirements necessitated action against the directors of the Company in terms of Sub-section (3) of Section 245 of the Ordinance. Consequently, a show cause notice dated June 02, 2005 was served on all the directors including the Chief Executive of the Company calling upon them to show cause as to why penalties as provided under Sub-section (3) of Section 245 read with Section 476 of the Ordinance may not be imposed on them.

3. In response to the show cause notice, Mr. Muhammad Ashraf Khan, the Chief Executive of the Company submitted, on behalf of all the directors, vide his letter dated June 04, 2005 that said accounts were transmitted to SECP, the shareholders, stock exchanges and the Registrar Joint



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Stock Companies, Mirpur, Azad Kashmir within prescribed time i.e. on April 28, 2005. He also filed copies of requisite accounts and requested to withdraw the show cause notice.

4. The reply was examined and observed that the Company had filed the said accounts with the Company Registration Office, Islamabad and the stock exchanges. However, the same were not filed with the Commission which is a separate mandatory requirement of law. In order to provide an opportunity of personal hearing, the matter was fixed on June 16, 2005. No one appeared to argue the case. In the meantime, the Chief Executive was also advised vide this Commission's letter dated August 02, 2005 to furnish reasons for non-submission of quarterly accounts with the Commission. No reply was received to the aforesaid letter. The case was, therefore, finally fixed for November 22, 2005, at Karachi.

5. On the date of hearing, Mr. Muhammad Ashraf Khan, the Chief Executive of the Company, appeared before me to argue the case on behalf of all the directors of the Company. During the course of hearing, Mr. Ashraf while admitting the default reiterated almost the same arguments as were advanced earlier in his written reply to the show cause notice. He further intimated that the Company is a sick unit, however, they are generally complying with the provisions of law. He added that this time the default occurred on account of the negligence of staff. He requested for a lenient view and assured that no such default would occur in future.

6. I have given due consideration to the written submissions as well as arguments advanced at the time of hearing but none of them justify the delay in filing of quarterly accounts. Filing of accounts with the Commission is mandatory requirement under Section 245 of the Ordinance. It is, therefore, the duty of the directors to ensure timely compliance of the statutory requirements. Accordingly, the directors of the company are responsible for submission of quarterly accounts within prescribed time. The track record of the Company shows that the Company had often filed accounts late in the past, for which the Chief Executive of the Company was also imposed a token penalty. The Company, therefore, failed to show any improvement in complying with the statutory provisions of law and this time the accounts have been filed with the Commission with a considerable delay of 1 month and 4 days.

7. In view of the above discussion and taking into consideration all the relevant facts, the default is considered willful, which attracts the provisions of Sub-section (3) of Section 245 of the



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Ordinance. However, on the assurance that the Company would comply with its statutory obligations in future within prescribed time, I take a lenient view of the default and, instead of imposing the maximum fine of Rs. 100,000 on every director including the Chief Executive of the Company and a further fine of Rs. 1,000 per day for the continuous default, hereby impose a fine of Rs. 20,000/- (Rupees twenty thousand only) on the Chief Executive and Rs. 10,000/- (Rupees ten thousand only) on each of the directors of the Company under Sub-section (3) of Section 245 of the Ordinance in the following manner:-

S. No.	Name	Penalty (Rupees)
1.	Mr. Muhammad Ashraf Khan, Chief Executive	20,000
2.	Mr. Mushtaq Ahmed, Director	10,000
3.	Dr. Mrs. Yasmin Ashraf, Director	10,000
4.	Mr. Muhammad Younus Khan, Director	10,000
5.	Mrs. Harem Ara Hashmi, Director	10,000
6.	Mr. Muhammad Akram, Director	10,000
7.	Mr. Shahid Mahmood, Director	10,000
	Total	80,000

8. The Chief Executive and directors of M/s. Kashmir Polytex Limited are hereby directed to deposit the aforesaid fines in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited or pay through a demand draft in the name of Securities and Exchange Commission of Pakistan within thirty days from the receipt of this Order and furnish receipted challans to the Commission failing which proceedings for recovery of the fines as an arrears of land revenue will be initiated. It should also be noted that the said penalties are imposed on the Chief Executive and the directors in their personal capacity, therefore, they are required to pay the said amounts from their personal resources.

Dr. Sajid Qureshi
Executive Director (Company Law)