



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

*Company Law Division  
(Enforcement Department)*

**Before Abdul Rehman Qureshi, Commissioner (CLD)**

*In the matter of*  
**M/S Quality Steel Works Limited**

Date of hearing

November 04, 2003

Present

Mr. Aamir Aziz, Advocate

**Order**

This order shall dispose of the proceedings initiated against the directors of M/S Quality Steel Works Limited under Section 186 of the Companies Ordinance, 1984 (“the Ordinance”) for non-holding of election of directors of the Company as required under Section 177 of the Ordinance.

2. The facts of this case briefly stated are that the Company was required to hold its election of directors on or before August 05, 1999 under Section 177 of the Ordinance as the last election was held on August 05 1996. The continuing directors, not only, failed to hold the election within the prescribed period but also did not report the impediments to the Registrar of Companies within fifteen days as required under Section 177 of the Ordinance. Consequently, a notice dated July 30, 2003 was served upon the directors of the Company to show cause as to why penalty as provided under Section 186 read with Section 476 of the Ordinance, may not be imposed and as to why they may not be debarred from continuing or becoming the director of the Company for a period of three years as provided in Section 186 of the Ordinance for the aforesaid contravention. They were also provided an opportunity of hearing on August 22, 2003.

3. In response to the notice the Company Secretary replied that the Chief Executive of the Company is out of country for examination of his eye, and requested to defer the case for six weeks until his return from abroad, when he will reply on behalf of all the directors. He also submitted that he has been preparing documentation for adequate representation in reply to the show cause notice. The case was fixed for October 14, 2003



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on which date Mr. Aamir Aziz Khan, Advocate appeared on behalf of the directors and requested for some time to prepare for the case, hence the case was fixed for November 04, 2003. On the said date Aamir Aziz appeared and pleaded the case.

4. Mr. Aamir Aziz admitted the fact that the election of the directors were not held and also that the directors failed to report any impediment to the Registrar of the Companies in this regard, however he argued that the Commission should take a lenient view of the default and should not debar the directors. In support to his arguments he also submitted a written reply explaining the history of the Company and provided certain references of Court cases, however none of them were found relevant to the case. Mr. Aamir submitted that as per provisions of Section 177 the retiring director were required to perform the functions of directors till the date of next election, he also submitted that the second proviso of the Section 177 rest on doctrine of encouragement/acquiescence and therefore the delay may be condoned as by allowing the delayed AGM for year 2001 by its letter dated January 2003, to be conducted by the retiring directors, Commission has waived the default and allowed the present directors to continue the office and therefore acquiesced the alleged default. Mr. Aamir was asked to indicate an appropriate date for the holding of overdue election of directors, for which he suggested a date of February 04, 2004.

5. I have given due consideration to the submission of the respondents and none of them are found tenable. Mr. Aamir's argument that the Commission already waived the default is not based on fact. In fact vide Commission's letter dated January 08, 2003 which was in response to the application of the Company for direction under section 170, the Company was directed to hold its overdue AGM for the year 2001 within 60 days from the date of issue of the directions. These directions were without prejudice to the penal and civil consequences of the defaults on the part of the Company and its management, and also do not waive the default of the Company. As such the default appears willful and intentional, accordingly, I impose a fine of Rs. 10,000/- on each of



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the directors including chief executive of the Company. They are also directed to hold election of directors within forty-five days of the date of receipt of this order failing which penal action, as provided in law, will be taken against them.

6. The Chief Executive and the following directors of the company are directed to deposit the fine, amounting to Rs. 70,000/- (Rupees Seventy Thousand only), imposed upon them, as under, 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 challan to the Commission: -

<b>Name of the Directors</b>	<b>Amount (Rs)</b>
Mr. Muhammad Ziauddin, Chief Executive	10,000
Mr. Muhammad Farooq, Director	10,000
Mr. Muhammad Ismail, Director	10,000
Mr. Saeed Khan, Director	10,000
Mr. Ahsan Ahmad, Director	10,000
Mr. Mushtaq Ahmad, Director	10,000
Mr. Irshad Ahmad, Director	10,000
<b>Total</b>	<b>70,000</b>

**(Abdul Rehman Qureshi)**  
Commissioner (C.L.D)

**December 30, 2003**  
**ISLAMABAD**