



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Company Law Division
Enforcement Department

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***Before Abid Hussain
Director (Enforcement)***

In the matter of

Faran Sugar Mills Limited

Number and date of show cause notice	No.EMD/233/340/2006 dated September 13, 2007
Date of hearing	October 19, 2007
Present	Mr. Abdul Aziz, Assistant Corporate Manager

ORDER

Under provisions of Section 246 read with Section 476 of the Companies Ordinance, 1984

This order will dispose of the proceedings initiated through Show Cause Notice bearing No. EMD/233/340/2006 dated September 13, 2007 against the Chief Executive and Company Secretary of Faran Sugar Mills Limited (“the Company”) under the provisions of Section 246 read with Section 476 of the Companies Ordinance, 1984 (“the Ordinance”).

2. The Company was incorporated in Pakistan as a Public Limited Company on November 03, 1981 under the Ordinance. The shares of the Company are listed on Karachi and Lahore Stock Exchanges. The paid up capital of the Company as on September 30, 2006 stood at Rs.188.269 million divided into 18.827 million ordinary shares of Rs.10 each. The principal activity of the Company is to manufacture and sale of white sugar. The registered office of the Company is situated at Karachi.

3. The facts leading to the case are that the Enforcement Department (“the Department”) of the Securities and Exchange Commission of Pakistan (“SECP”) issued a show cause notice under the provisions of Section 246 read with Section 476 of the Ordinance served on the Chief Executive and Company Secretary of the Company for failure to transmit the notices of following Extra ordinary general meetings (“EOGM”) through fax on the same date on which the



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aforesaid notices was issued to the shareholders and failure to submit the newspaper cuttings in which the notices were published:

- 1) EOGM held on July 22, 2004 wherein the Company passed a special resolution for making equity investment in Unicol Limited (“Unicol”) up to Rs. 58.67 million; and
- 2) EOGM held on May 18, 2006 wherein the Company passed special resolution for making additional investment in Unicol up to Rs. 30.00 million.

5. The response of the show cause notice was submitted by the Company Secretary, providing a copy of notice of EOGM held on May 18, 2006, copy of newspaper clippings regarding the aforementioned EOGM as an evidence of publishing the same in the newspapers and a copy of statement of material facts under the provisions of Section 160(1)(b) of the Ordinance. Further it was stated that the aforesaid notice was dispatched to shareholders through post within 21 days before the date of EOGM, however, it was regretted that the same could not be transmitted to the Commission in compliance of Circular No. 5 of 2002. The Company however remained silent about the notice of EOGM held on July 22, 2004.

6. In order to provide an opportunity of personal hearing, the case was fixed for October 19, 2007. On the date of hearing Mr. Abdul Aziz, Assistant Corporate Manager of the Company, appeared as an authorized representative to plead the case.

7. During the course of hearing, submissions already made through written reply were reiterated. Further he presented the copies of:

- a) Notices of both the EOGMs held on July 22, 2004 and May 18, 2006;
- b) Newspaper clippings in which such notices were published;
- c) Minutes of the meetings; and
- d) Forms 26 filed in the Company Registration Office at Karachi.



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He while admitting the default prayed that keeping in view the track record of the Company a lenient view may be taken and proceedings may be withdrawn.

8. It is important to quote the relevant part of the Commission's Circular No. 5 of 2002 issued in pursuance of Circular No. 2 of 1999 and in exercise of powers under the provisions of Section 246(1) of the Ordinance which requires:

- (i) Notice of AGM or EOGM must be faxed to the Commission along with statement under section 160 of the Ordinance in case of a special resolution, as essential on the same date on which it is sent to the shareholders;
- (ii) Copies of the Newspapers in which the notices of AGM or EOGM are published may be sent to the Commission within 7 days of their publication.

9. I have gone through the facts of the case, record of the Company, relevant provisions of the Ordinance, written submissions given in response to the show cause notice and arguments by the authorized representatives in the hearing and I am of the view that the Company has not complied with the requirements of Circular No.5 of 2002. It has been established that the company had failed to transmit the notice of EOGMs held on July 22, 2004 and May 18, 2006 to the Commission in a manner prescribed in the aforesaid Circular. The Company had passed special resolution in the above mentioned EOGMs for making equity investment in its associated undertaking. The failure to transmit the notice of the EOGM may be regarded as equivalent to making an attempt to hide the correct and timely information about an important transaction from the Commission. I believe that the Chief Executive and the Company Secretary, by a repetitive default, have made themselves liable for penal action under the provisions of Sub-section (2) of Section 246 of the Ordinance. The aforesaid provisions of the Ordinance provides that in the event of a default in complying with the order of the Commission issued under sub-section (1), the company, and every officer of the company who knowingly and willfully authorizes or permits the default, shall be liable to a fine which may extend to one thousand rupees for every day during which the default continues. However, keeping in view the facts that the notices of EOGMs were sent to the shareholders within the stipulated time and also the same were published in the newspapers in compliance with the provisions of Sub-section (7) of



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Section 159 of the Ordinance, I am taking a lenient view and impose an aggregate fine of Rs. 5,000 (Rupees five thousand only) i.e. Rs. 2,500 (Rupees two thousand five hundred only) each on the Chief Executive and Company Secretary of the Company.

10. The Chief Executive and Company Secretary of the Company is hereby directed to deposit the aforesaid fine 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 receipted bank vouchers to the Commission, failing which proceedings for recovery of the fines as an arrears of land revenue will be initiated. It may also be noted that the said penalties are imposed on the Chief Executive and Company Secretary in their personal capacity; therefore, they are required to pay the said amounts from his personal resources.

Abid Hussain

Director (Enforcement)

Announced:

October 24, 2007

ISLAMABAD