



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Company Law Division
(Enforcement Department)

Before Abdul Rehman Qureshi, Commissioner

In the matter of
M/S KARIM COTTON MILLS LIMITED

Date of hearing December 18, 2003
Present Mr. Muhammad Idrees Haji Ebrahim,
Chief Executive

Order

This Order shall dispose of the proceedings initiated against M/S Karim Cotton Mills Limited (hereinafter referred to as the “Company”) and its directors for defaults made in complying with the provisions of Sub-section (1) of Section 158, Sub-section (1) of Section 245 and Sub-section (1) of Section 246 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The company was required to hold its AGMs on or before 31st March 2002 and 31st March 2003 for the years ended 30th September 2001 and 30th September 2002, respectively, in accordance with the provisions of Sub-section (1) of Section 158 of the Ordinance, but its management failed to comply with the statutory requirement by holding these meetings by a delay of more than fourteen months and two months respectively. Therefore, a notice dated November 05, 2003 was issued to the company, its chief executive and directors calling upon them to show cause as to why penalties as provided under Sub-section (4) of Section 158 read with Section 476 of the Ordinance may not be imposed upon them for the aforesaid contravention.

3. The company also failed to prepare and transmit to its members and simultaneously file with the Commission its quarterly accounts, within the prescribed period, for the quarters ended December 31, 2001, June 30, 2002, December 31, 2002 and June 30, 2003 for which a notice under Section 245 dated November 05, 2003 and a notice under Section 246 dated September 25, 2003 was issued to the Company, its chief executive and its directors calling upon them to show cause as to why penalties as provided under Sub-section (3) of Section 245 and Sub-section (2) of Section 246 of the Ordinance may not be imposed upon them for the aforesaid contravention.



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4. The company was also required to prepare and transmit to the members and simultaneously file with the Commission half yearly accounts for the half year ended March 31, 2002, but its management failed to comply with this statutory requirement and submitted the said accounts with a delay of one year and two days. Therefore, a notice dated November 05, 2003 under Section 245 of the Ordinance was issued to the chief executive and its directors calling upon them to show cause as to why penalty as provided under Sub-section (3) of Section 245 of the Ordinance may not be imposed upon them for the aforesaid contravention.

5. In response to the above referred notices the chief executive of the company through his various letters, submitted that the accounts could not be filed with the Commission within the prescribed time due to circumstances which were beyond the control of the management of the company. He contended that due to heavy financial losses and shortage of working capital the manufacturing activities of the company were inoperative since April, 1995, due to which the company had to relieve its entire work force and total staff including Accountants, and Chief Accountants and at present company has no employees. He informed that the sponsor directors were busy in buy back of shares of the company from the minority shareholders and now they have been able to complete and place the quarterly accounts before the board of directors for their approval. The copies of these accounts have subsequently been filed with the Commission. The company also requested to drop penal proceedings specially when the company has no funds to meet the necessary expenses regarding printing of accounts and office rent etc. In order to give an opportunity of hearing the case was fixed for December 18, 2003. On the said date Mr. Muhammad Idrees Haji Ebrahim, Chief Executive of the Company appeared and pleaded the cases. He reiterated the arguments as were previously advanced in his written reply. He admitted the default but stated that it was due to financial constraints faced by the Company and requested for a lenient view.

6. Taking into account all the relevant facts and circumstances of the case, I feel that defaults under section 158, 245 and 246 were intentional and willful. However, keeping



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in view the assurance to comply with the requirements of law in future, I am inclined to take a lenient view and impose following fines on the Chief Executive of the Company only. The other directors are issued a strict warning to be careful in future.

Show Cause Notice (Under Section)	Period	Amount Rupees
158	September 30, 2001	15,000
158	September 30, 2002	10,000
245	March 31, 2002	10,000
245	December 31, 2002	10,000
246	December 31, 2001	10,000
246	June 30, 2002	10,000
Total		65,000

The default under section 245 for the quarter ended June 30, 2003, taking into consideration of the fact that the Company has filed these accounts with a minor delay, is condoned.

8. The Chief Executive of the company is directed to deposit the fine imposed on him i.e. Rs 65,000/- (Rupees Sixty Five Thousands only) 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.

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

January 02, 2004
ISLAMABAD