



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
*Enforcement Department*

**[Islamabad]**

**Before Tariq Bakhtawar, Director Enforcement**

**In the matter of M/s Huffaz Seamless Pipe Industries Limited for**

**Non-compliance with provisions of section 178 and 184 of the Companies Ordinance 1984**

Number and date of notice	EMD/233/422/2002-3573 dated December 14, 2004
Date of final hearing	January 12 , 2005
Present	i) Hafiz Abdul Majid Chief Executive, Huffaz Seamless Pipe Industries Ltd. ii) Mr. Abdul Hafeez Khan, Company Secretary iii) Mr. Fazal Mahmood, Auditor

**ORDER**

This order shall dispose of the show cause proceedings initiated against the directors of M/s Huffaz Seamless Pipe Industries Limited (the "Company") under Section 186 of the Companies Ordinance, 1984 ("the Ordinance") for appointing four directors without getting their consent in writing as required by Section 184 of the Ordinance and by not-fixing/disclosure of the number of directors elected in the notice of meeting as required under Sub-section (2) of Section 178 of the Ordinance.

2. The Company was incorporated as a public limited Company. Its shares are quoted at Lahore and Karachi Stock Exchanges. The principal object and business of the Company is to manufacture and sell seamless steel pipes and tubes etc. The paid up capital of the Company is Rs. 122.003 million divided into 12,200,278 shares of Rs.10 each. The Company has 1,419 shareholders including individuals, joint stock companies, insurance companies and financial institutions. The pattern of shareholding



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annexed to directors' report on the accounts for the year ended June 30, 2004 shows that directors, their spouses and minor children, and associated companies hold 50.227% of total shareholding which indicates that there is still considerable public interest in the shares of the Company. The latest elections of directors of the Company were held on December 31, 2003. As per Form 29 (Particulars of Director) dated January 13, 2004 filed with the Company Registration Office, Karachi, the following 12 persons were appointed as directors by the Company:

	<b>Name</b>	<b>Nationality</b>
1.	Mr. Yousaf M. Yousaf Najibi	Bahraini
2.	Hafiz Abdul Majid	Pakistani
3.	Hafiz Abdul Waheed	Pakistani
4.	Hafiz Abdul Rehman Madni	Pakistani
5.	Hafiz Ayub Ismail	Pakistani
6.	Mrs. Farida Majid	Pakistani
7.	Hafiz Abdul Sami	Pakistani
8.	Mr. Irshad Ahmad	U.K.
9.	Mr. Muhammad Hafeez	U.K.
10.	Mr. Muhammad Hashim Khoory	U.A.E.
11.	Mr. Nabil Abdul Rehman Arif	U.A.E.
12.	Mr. Abdul Aziz Eshaq	U.A.E.

3. In order to dispose of the proceedings, it is necessary to have a glance into the background facts of the case. The Commission while examining the record of the Company observed that the Company has appointed four (4) UAE based directors without getting their written consent as required by Section 184 of the Ordinance. It was further observed that the directors at the time of elections did not disclose in the notice of meeting the number of directors so fixed as required under Sub-section (2) of Section 178 of the Ordinance. On enquiry, the Company admitted the statutory default and informed that since the number of retiring directors and the newly appointed directors were the same, therefore they did not consider it appropriate to mention the same in the notice of elections.



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4. Consequently, a notice dated December 14, 2004 was served upon the directors and the Company Secretary to show cause and explain as to why penalty as provided under Section 186 read with Section 476 of the Ordinance may not be imposed for violation of the mandatory provisions of Section 178 and 184 of the Ordinance. The aforesaid notice was responded by the Company Secretary vide his letter dated December 24, 2004.

5. In order to provide an opportunity of personal hearing, the case was fixed for January 12, 2005 on which date Hafiz Abdul Majid, Chief Executive Officer (CEO) along with Mr. Abdul Hafeez Khan, Company Secretary and Mr. Fazal Mahmood, auditor of the Company appeared and admitted the defaults. They also admitted the default of sub-section (4) of section 178 of the Ordinance.

6. In the written submissions as well as at the time of hearing of this case, it was contended that the mistakes were not bona fide and occurred due to misunderstanding in interpretation of the relevant provisions of law. As far as the receipt of written consents of four elected directors are concerned, it was contended that these directors are foreign based and despite continuous persuasion by the Company, no consent was received, however, they were retained in good faith and in the larger interest of the Company. The Chief Executive assured that the Company will comply with the requirements of law in future.

7. In view of the foregoing, although the default is established and admitted however, keeping in view the assurance of the respondents that the requirements of law shall be complied in future, I am inclined to take a lenient view of the default and instead of imposing a maximum penalty of Rs. 10,000/- on all the directors of the Company, impose a fine of Rs. 5,000 on the Chief Executive and Company Secretary only as provided under Section 186 read with Section 476 of the Ordinance. The other directors of the Company are also advised to be careful in compliance of law in future.



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8. The Chief Executive and Company Secretary are directed to deposit the of fine amounting to Rs. 10,000 (Rupees ten thousand 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 for record.

Tariq Bakhtawar  
Director Enforcement

January 26, 2005  
Islamabad