

Before Dr. Sajid Oureshi, Executive Director (Company Law Division)

In the matter of

M/s. Redco Textiles Limited

(Under Sub-section (3) of Section 245 of the Companies Ordinance, 1984)

No. & date of show cause notices	EMD/Enf-II/278/2006 Dated May 04, 2006 & May 23, 2006.
Date of hearing	July 12, 2006
Present	No one appeared
Date of Order	July 12, 2006

Order

This Order shall dispose of the proceedings initiated against the directors of M/s. Redco Textiles Limited (hereinafter referred to as the “Company”) for defaults 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 2nd quarter ended December 31, 2005 & 3rd quarter ended March 31, 2006 by February 28, 2006 & April 30, 2006 respectively. The Company filed its 2nd quarter accounts for the period ended December 31, 2006 with a delay of 1 month & 18 days whereas it failed to file its 3rd quarter accounts for the period ended March 31, 2006. Failure of the Company to comply with the aforesaid mandatory requirements within the prescribed time necessitated



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Continuation Sheet -3 -

action against the responsible directors of the Company in terms of Sub-section (3) of Section 245 of the Ordinance. Consequently, two show cause notices dated May 04, 2006 & May 23, 2006 were 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 for the aforesaid contravention. The aforesaid notices were responded by Mr. Bilal Ahmad Niazi, Company Secretary and Mrs. Taufiqah Amanullah Khan, Director of the Company vide their letters dated May 18, 2006 and June 02, 2006. In their written replies, it was contended that delay in submission of accounts for the 2nd quarter ended December 31, 2005 was not deliberate but was the consequential effect of delay in annual accounts for the year ended June 30, 2005 and quarterly accounts for the period ended September 30, 2005. It was contended that the directors of the Company are very much concerned with the situation and trying their level best to overcome the problems and to safeguard the interest of the shareholders. As regards non-filing of accounts for the 3rd quarter ended March 31, 2006, Mrs. Taufiqah Amanullah Khan, contended that delay in submission of these accounts was not deliberate but was a result of a mistake on the part of accounts staff member. She also filed quarterly accounts for the said quarter and stated that the Board has taken very serious note of such a big mistake. She assured that in future no delay will occur in filing of financial statements.

3. The explanation furnished to the show cause notices was considered but not found satisfactory because such assurance was also given by the Company in the past but it always failed to make compliance of the statutory provisions of Law within the prescribed time. In order to provide an opportunity of personal hearing the matter was fixed for June 26, 2006 which was adjourned on the request of the Company and re-fixed for July 12, 2006 at 10.00 A.M. However, neither any body appeared for hearing nor any written explanation was received till the time given for hearing. This leads me to believe that the Chief Executive and directors of the Company have nothing in their defence, and they are deliberately avoiding appearance in the hearing. Therefore, I proceed to adjudicate this case on its merits.



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Continuation Sheet -4-

4. Before proceeding to decide this case, I consider it necessary to highlight the importance of the strict observance of the aforesaid mandatory provisions of the law. The protection of the investors/shareholders is one of the primary objectives of the Ordinance. It is investors/shareholders who provide seed for capital formation. If the interest of the investors is protected, they will save and invest more. Their interest is protected by transmission of timely, adequate and meaningful information to them. It is the annual and interim accounts, which provide information to the investors about the affairs of the companies. It has unfortunately been noted that the directors of M/s. Redco Textiles Limited are not observing these compulsory requirements of law.

5. From the aforesaid discussion, it is clear that the directors and Chief Executive have intentionally avoided appearance before me inspite of two opportunities of hearing provided by the Commission. The defaults, therefore, are considered willful and deliberate. In the circumstances, it can be legitimately inferred that the Chief Executive and directors have failed to protect the interest of the shareholders. The aforesaid state of affairs is a cause of great concern for the Commission. The track record of the Company with regard to filing of quarterly/half yearly accounts is also not satisfactory. The Company is committing defaults in filing of half yearly accounts since 2000 and in filing of quarterly accounts since 2001 for which the directors were penalized earlier also. It has been noticed that the directors have also failed to deposit the amount of most of the penalties imposed for the previous defaults. This led me to believe that the directors have no respect for the law and they have again deprived the shareholders of their statutory right to receive the quarterly accounts of the Company within the prescribed time limit. The responsibility for preparation/circulation of quarterly accounts rests with the directors of the Company and they have to take appropriate action at appropriate time. Moreover, at the time of hearings held for the previous defaults under the same provisions of the Ordinance, the authorized representatives had committed that no default would occur in future. The repetition of default clearly shows that the Company is not making any serious efforts to comply with the provisions of the law. For the foregoing



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Continuation Sheet -3 -

reasons, the default under Sub-section (1) of Section 245 of the Ordinance regarding late submission of quarterly accounts for the 2nd quarter ended on December 31, 2005 and 3rd quarter ended on September 30, 2005 stands established.

6. However, instead of imposing the maximum fine of Rs.100,000 on every director and a further fine of Rs.1,000 per day for the continuous default, I impose the following penalties on the Chief Executive and the directors of the Company under Sub-section (3) of Section 245 of the Ordinance:-

S. No.	Name	2 nd quarter ended 31.12.2005	3 rd quarter ended 31.03.2006	Total
		Penalty (Rupees)	Penalty (Rupees)	
1.	Ms. Sarah Saif-ur- Rehman, Chief Executive	10,000	10,000	20,000
2.	Mr. Saif-ur- Rehman Khan, Director	10,000	10,000	20,000
3.	Mr. Ahsan-ur- Rehman Khan, Director	10,000	10,000	20,000
4.	Mrs. Samina Asad Khan, Director	10,000	10,000	20,000
5.	Mr. Imran Zia, Director	10,000	10,000	20,000
6.	Mrs. Taufiq Amanullah Khan, Director	10,000	10,000	20,000
7.	Mrs. Muneza Saif-ur- Rehman Khan, Director	10,000	10,000	20,000
	Total	70,000	70,000	140,000

7. The Chief Executive and directors of M/s. Redco Textiles Limited are hereby directed to deposit the aforesaid fines aggregating to Rs.140,000/- (Rupees one hundred and forty 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



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Continuation Sheet -4-

receipt of this Order and furnish receipted vouchers or pay by a DD/pay order issued in the name of Commission for information and record, failing which proceedings under the Land Revenue Act, 1967 will be initiated which may result in the attachment and sale of movable and immovable property. It may also be noted that the said penalties are imposed on the Chief Executive and other directors in their personal capacity who are required to pay the said amount from their personal resources.

Dr. Sajid Qureshi
Executive Director (CLD)