

Before Javed K. Siddiqui, Executive Director (Company Law)

In the matter of
M/s. Mehr Dastgir Textile Mills Limited
(Under Sub-section (3) of Section 245 of the Companies Ordinance, 1984)

Number and date of Show cause notice	EMD/Enf-II/155/2004-7651-7657 Dated April 01, 2005
Date of hearing	July 15, 2005
Present	Syed Mushtaq Hussain Naqvi, Company Secretary
Date of Order	July 28, 2005

Order

This Order shall dispose of the proceedings initiated against the Directors of M/s. Mehr Dastgir Textile Mills Limited (hereinafter referred to as the “Company”) for default 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 1st quarter ended December 31, 2004 by January 31, 2005. The Company failed to file the aforesaid accounts with the Commission. The failure of the Company to comply with the aforesaid requirements necessitated action against the Directors of the Company in terms of Sub-section (3) of Section 245 of the Ordinance. Consequently, show cause notice dated April 01, 2005 was 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.

3. No reply was received to the aforesaid show cause notice. In order to give an opportunity of personal hearing, the case was fixed for hearing on June 23, 2005. However, no one appeared for hearing on the given date and time. To provide final opportunity, the matter was again fixed for July 15, 2005. On the date of hearing, Syed Mushtaq Hussain Naqvi, Company Secretary appeared for hearing on behalf of the Directors of the Company. He also filed written explanation from all the Directors in which they had contended that as per their knowledge if a Company holds its Annual General Meeting before the date of last year’s AGM, then the Company is not required to submit its accounts for the 1st quarter, so they had not filed the 1st quarter accounts for the period ended December 31, 2004. It was



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further contended that they have submitted accounts for the 2nd quarter ended March 31, 2005 in time. It was also stated that on receipt of Commission's notice they came to know that their comprehension regarding filing of 1st quarter accounts was wrong. They also requested to ignore their misconception. During the time of hearing, Syed Mushtaq Hussain Naqvi, while admitting the default, reiterated the same arguments as were advanced by the Directors in their written explanation.

4. The arguments advanced by the Directors in the written explanation as well as the explanation furnished by the Company Secretary have been examined and not found cogent. Ignorance of law is no excuse to defend the default. It is the duty of the Directors of the Company to ensure compliance with all the statutory requirements. Accordingly, Directors are responsible for timely preparation and circulation of quarterly accounts to the shareholders and file the same with Registrar and the Commission within prescribed time, whereas they have failed to file the same with the Commission till date even after issuance of show cause notices. This indicates that Directors have no respect for the law and they have intentionally deprived the shareholders of their statutory right to receive the quarterly accounts. The Company has also not been compliant to the statutory provisions of law in the past in submission of quarterly accounts. I am, therefore, constrained to believe that the Company and its Directors including the Chief Executive have willfully and deliberately committed default in preparation, circulation and filing of quarterly accounts, which is also established from the track record.

5. In view of the above, the default under Sub-section (1) of Section 245 is considered willful and deliberate, 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, in exercise of powers conferred upon me under Sub-section (3) of Section 245 read with Section 476 of the Ordinance impose a penalty of Rs.10,000 (Rupees ten thousand only) on the Chief Executive and each of the Directors of the Company. The details of the penalties imposed are as follows: -

S. No.	Name	1 st Quarter Ended 31.12.2004 Penalty (Rupees)
1.	Khawaja Muhammad Abdullah, Chief Executive	10,000
2.	Khawaja Muhammad Yousuf, Director	10,000
3.	Khawaja Muhammad Abdul Rehman, Director	10,000
4.	Khawaja Muhammad Ali, Director	10,000



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5.	Khawaja Muhammad Hussain, Director	10,000
6.	Khawaja Muhammad Mansoor, Director	10,000
7.	Khawaja Muhammad Usman, Director	10,000
	Total	70,000

6. The Chief Executive and Directors of M/s. Mehr Dastgir Textile Mills Limited are hereby directed to deposit the aforesaid fine totalling to Rs.70, 000/- (Rupees Seventy 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 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.

Javed K. Siddiqui
Executive Director (CL)