



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

**[Islamabad]**

***Before Ashfaq Ahmed Khan, Director (Enf)***

***Order***

*In the matter of*

**M/S. Service Industries Textiles Limited**

(Under Sub-section (4) of Section 158 of the Companies Ordinance, 1984.)

Number and date of notice	EMD/Enf-II/190/2003 dated April 06, 2004
Date of hearing	June 03, 2004
Present	Mr. Ibrahim Hanif Malik, G. M. Finance  Malik Muhammad Iqbal Accounts Manager
Date of Order	June 07, 2004

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This order shall dispose of the proceedings initiated against M/S Service Industries Textiles Limited (the “Company”) and its directors for default made in holding of Annual General Meeting (the “AGM”) of the Company under the provisions of Sub-section (1) of Section 158 of the Companies Ordinance, 1984 (“the Ordinance”).

2. The facts of the case in brief are that in terms of the provisions of Sub-section (1) of Section 158 of the Ordinance, the Company was required to hold its Annual General Meeting (the “AGM”) for the year ended September 30, 2003 on or before January 31, 2004. The failure of the Company to comply with the aforesaid mandatory requirement necessitated action against the Company and its directors in terms of Sub-section (4) of Section 158 of the Ordinance. Accordingly, a show cause notice dated April 06, 2004 was served on the Company and its directors including the Chief Executive calling upon them to show cause as to why penal action may not be taken against them under Sub-section (4) of Section 158 read with Section 476 of the Ordinance for the aforesaid contravention.



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3. The company or any of the respondents failed to respond the aforesaid notice and therefore, in order to give an opportunity of hearing the case was fixed on May 04, 2004. No one appeared on the date fixed for hearing instead a fax message was received from the Company Secretary who requested for adjournment of hearing stating that the matter has been referred to their Legal Advisor who will attend the hearing after getting prepared. The request of the Company for adjournment was acceded to and the case was re-fixed for hearing on May 12, 2004, which was adjourned. The case was finally fixed on June 03, 2004 on which date Mr. Ibrahim Hanif Malik, General Manager Finance, appeared to argue the case on behalf of all the respondents.

4. During the course of hearing, Mr. Ibrahim Hanif Malik while admitting the default urged that the same was not deliberate/intentional as it was forced by the critical circumstances faced by the Company. He contended that due to certain reasons the management was not in a position to finalize its accounts, conduct audit and hold AGM for the year ended September 30, 2002, for which penalty was imposed by the Commission. Consequently, the annual accounts for the period ended September 30, 2003 could not be prepared. He further added that finally the Company held its AGM for the year ended September 30, 2002 on February 23, 2004. It was because of this reason that the Company could not hold the AGM for the year ended September 30, 2003 within the stipulated time. He submitted that now the accounts for the year ended September 30, 2003 have also been finalized and handed over to the auditors in March, 2004 and the audit of the accounts is at final stage. The management of the Company has planned to hold the overdue AGM for the financial year 2003 in the first week of July 2004 for which notice of AGM will be published on June 10, 2004. He requested for a lenient view and assured that the Company and its directors would ensure strict compliance of the provisions of the Ordinance in time in future.

5. Considering the circumstances of the case and the submissions of the respondents, I am of the view that the contentions of the directors do not carry any merit. It is the



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responsibility of the directors of the Company to timely hold the AGM as this is the only forum available to the shareholders where they can freely discuss, speak and vote on the significant matters like approval of accounts, appointment of auditors, election of directors and other important issues relating to the performance of the Company. A perusal of the record reveals that in the past too the management had committed similar defaults for which penalties were imposed on the Company and its management. The repetition of default shows that the management of the Company does not take the provisions of law seriously. Accordingly, the default under Section 158 is considered willful and deliberate, which attracts the provisions of Sub-section (4) of Section 158 of the Ordinance.

6. Though the default is considered willful, yet, in view of the fact that the Company is holding its AGM in July 2004 and respondent's assurance for future compliance, I am inclined to take a lenient view in the matter and instead of imposing the maximum fine of Rs. 50,000 on every director and a further fine of Rs. 2,000 per day for continuous default, I impose a fine of Rs. 20,000 (Rupees twenty thousand only) on the Chief Executive under Sub-section (4) of Section 158 read with Section 476 of the Ordinance. The other directors are reprimanded to be careful in future in observance of the mandatory requirements of law.

7. The Chief Executive of the Company is hereby directed to deposit the aforesaid fine of Rs. 20,000 (Rupees twenty 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 challan to the Commission.

*Ashfaq Ahmed Khan*  
Director (Enforcement)

**Announced:**  
*June 07, 2004*  
**ISLAMABAD**