



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

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

In the matter of
M/s. Pakistan PVC Limited

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

Number and date of show cause notices	EMD/Enf -II/506/2003 dated April 09 & July 06, 2004
Date of hearing	May 09, 2005
Present	Mr. Arif Shaffi, Director
Date of Order	June 16, 2005

Order

This Order shall dispose of the proceedings initiated against the Directors of M/s Pakistan PVC 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 on December 31, 2003 and 3rd quarter ended on March 31, 2004 by February 29, 2004 and April 30, 2004 respectively. The Company failed to file the aforesaid accounts within the prescribed time period. The failure of the Company to comply with the aforesaid requirements necessitated 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 April 09, 2004 and July 06, 2004 were served on 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 upon them. No response was received to the aforesaid notices.

3. In order to afford an opportunity of personal hearing, the hearing in case of show cause notice dated April 09, 2004 was fixed for July 22, 2004 which was adjourned and re-fixed for July 29, 2004. No one appeared for hearing. The matter was again fixed in respect of both the show cause notices on



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October 27, 2004, November 11, 2004, March 09, 2005 and March 16, 2005. However, in response to the hearing notice dated February 22, 2005, a written reply dated March 05, 2005 was received wherein Mr. Arif Shaffi, one of the Directors of the Company contended that the accounts for the 2nd quarter ended December 31, 2003 were sent to the Commission on March 24, 2004 and to the Company Registration Office, Karachi on March 25, 2004. He also filed copies of forwarding letters dated March 22, 2004 and May 17, 2004 as a proof of filing of quarterly accounts for the 2nd and 3rd quarter.

4. The reply was examined and observed that according to the documentary proof furnished by the Company, the accounts for the 2nd quarter ended December 31, 2003 were received in the Commission on March 26, 2004 i.e. with a delay of 26 days whereas, the accounts for the 3rd quarter ended March 31, 2004 were received with the CRO, Karachi with a delay of 19 days while the same were received in the Commission on November 25, 2004 i.e. with a delay of 6 months and 25 days. Since no cogent reason was furnished for late filing of the said accounts, the matter was again fixed for hearing on May 09, 2005. On the date of hearing, Mr. Arif Shaffi, Director of the Company appeared and contended that the quarterly accounts were filed within prescribed time. He further contended that the financial position of the Company is not sound so it does not have the capacity to pay any penalty. He informed that they are trying for revival of the Company and to settle the matters regarding rescheduling of loan with HBL. When asked to furnish proof for timely submission of accounts, he requested to allow time for one day for submission of documentary proof. Accordingly, he was allowed to reappear on May 10, 2005 along with necessary evidence. Mr. Arif did not appear on the given date. Instead, a written reply was received on May 17, 2005 along with copy of their letter dated May 17, 2004 and post office dispatch receipt dated May 18, 2004 regarding filing of quarterly accounts for the quarter ended March 31, 2004 with the Commission.

5. The written as well as verbal submissions of the respondents have been given due consideration and it has been observed that none of them are tenable. The preparation and circulation of quarterly accounts is one of the statutory obligations of the Directors and they are supposed to make serious efforts to ensure the compliance of the relevant provisions of law. However, it appears that the Directors have not made serious attempts to prepare and transmit the quarterly accounts within the prescribed time. Disregard of law by the Company and its Directors is also evident from unsatisfactory track record of the Company regarding compliance of statutory provisions. The Chief Executive and



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Directors of the Company have been penalized a number of times in the past also for defaults in compliance with the mandatory provisions of the Ordinance. It has been observed that the quarterly accounts for the quarter ended March 31, 2004 claimed to be filed by the Company on May 17, 2004 were actually received in the Commission on November 25, 2004 with a delay of 6 months and 25 days. If the plea of Mr. Arif Shaffi regarding filing of accounts is considered and dates mentioned by him are accepted, even then the accounts for the quarter ended December 31, 2003 are delayed by 26 days and for the quarter ended March 31, 2004 with a delay of 19 days. In the circumstance, the defaults for late filing of quarterly accounts are established and considered willful and intentional, which attract penal provisions of Sub-section (3) of Section 245 of the Ordinance. I, however, upon being informed by Mr. Arif Shaffi, that the Company is in the revival phase and the management is trying to settle the matters with HBL, do not intend to discourage the management by imposing maximum fine for the aforesaid defaults. As Mr. Arif has provided assurance to comply with the mandatory requirements of law in future within the prescribed time, therefore, I am inclined to take a lenient view of the defaults and 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, impose a penalty of Rs. 10,000 (Rupees ten thousand only) for each default under Sub-section (3) of Section 245 read with Section 476 of the Ordinance on the Chief Executive and each of the Directors of the Company. Detail of the penalties imposed is as follows: -

Name	Penalty (Rupees)		
	Section 245 31-12-2003	Section 245 31-03-2004	Total Rupees
Mr. Reyaz Shaffi, Chief Executive	10,000	10,000	20,000
Mr. Asif Shaffi, Director	10,000	10,000	20,000
Mr. Anwar Khan, Director	10,000	10,000	20,000
Mr. Arif Shaffi, Director	10,000	10,000	20,000
Ms. Naila Shaffi, Director	10,000	10,000	20,000
Mr. Mahmood-ur-Rehman, Director	10,000	10,000	20,000
Mr. Aftab Sheikh, Director	10,000	10,000	20,000
Total	70,000	70,000	140,000



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6. The Chief Executive and Directors of M/s. Pakistan PVC Limited are hereby directed to deposit within 30 days of the date of receipt of this Order the aforesaid fine totaling to Rs.140, 000/- (Rupees one hundred and forty thousand only) in the Commission's designated bank account No. 10464-6 maintained at Central Branch-2, HBL Plaza, I.I Chundrigar Road, Karachi or by a DD/Pay order issued in the name of Commission and send a copy of the receipted vouchers to the 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 their movable and immovable property. It should also be noted that the said penalty is imposed on the Chief Executive and the Directors in their personal capacity, therefore, they are required to pay the said amounts from their personal resources.

Javed K. Siddiqui
Executive Director (CL)