



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Before Tariq Bakhtawar, Director (Enforcement)

In the matter of
M/s. Zahur Textile Mills Limited
(Under Sub-section (4) of Section 158 of the Companies Ordinance, 1984)

No. and date of show cause notice	EMD/Enf-II/291/2004 Dated March 18, 2005
Date of hearing	June 08, 2005
Present	Mr. Ejaz-ul-Haque, Company Secretary
Date of Order	June 30, 2005

Order

This Order shall dispose off the proceedings initiated against M/s. Zahur Textile Mills Limited (hereinafter referred to as the “Company”) and its Directors for default made in complying with the provisions of Sub-section (1) of Section 158 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The facts leading to this case, briefly stated, 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 (“AGM”) for the year ended September 30, 2004 on or before January 31, 2005. 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 March 18, 2005 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. The Company or any of the respondents failed to respond the aforesaid notice.

3. In order to provide an opportunity of hearing, the case was fixed for hearing on May 18, 2005 which was adjourned on the request of the Company and re-fixed for June 08, 2005. On the date of hearing, Mr. Ejaz-ul-Haque, Company Secretary appeared before me to argue the case on behalf of the Company and its Directors. During the hearing, Mr. Ejaz-ul-Haque, while admitting the default, argued that the annual accounts could not be prepared due to financial crisis being faced by the

Zahur Textile Mills Ltd.

Violation of Section 158



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Company and non-availability of working capital. He contended that due to costly raw material the operations of the Company remained closed. It was because of this reason that the Company could not hold the AGM for the year ended September 30, 2004. He also informed that the sponsors have now increased their share and injected an equity of Rs. 300 million for revival of the Company. He added that now they are update and there is improvement in compliance of the statutory provisions of law. Mr. Ejaz-ul-Haque informed that the annual accounts for the aforesaid period have been finalized and AGM has been scheduled for June 11, 2005. He also filed copy of the aforesaid accounts and requested for a lenient view. He assured that the Company and its Directors would ensure strict compliance of the provisions of the Ordinance in time in future.

4. Considering the circumstances of the case and submissions of the representative of the Company and its Directors for non-holding of AGM, I am of the view that the contentions of the respondents do not carry any merit to justify the default. It is the responsibility of the Directors of the Company to hold the AGMs within prescribed time as this is the only forum available to the shareholders where they can 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 the 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 penal provisions of Sub-section (4) of Section 158 of the Ordinance.

5. In view of the above, it appears that the Directors of the Company do not assign due importance to comply with the requirements of law. Though the default is considered willful, yet, in view of the respondents assurance for future compliance, instead of imposing the maximum fine of Rs. 50,000/- on every Director and a further fine of Rs. 2,000/- per day for the continuous default, I, in exercise of powers conferred upon me under Sub-section (4) of Section 158 read with Section 476 of the Ordinance, impose a minimum fine of Rs. 20,000/- (Rupees twenty thousand only) each on the Company, its Chief Executive and each of the Directors in the following manner: -

S. #	Name	Penalty (Rupees)
1	Mr. Mohsin Zahur, Chief Executive	20,000
2	Mr. Arif Zahur, Chairman/ Director	20,000
3	Mr. Ejaz-ul-Haque, Director	20,000
4	Mr. Haroon Zahur, Director	20,000



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5	Mr. Raza Arif, Director	20,000
6	Mr. Sajid Ali, Director	20,000
7	Mr. Shaukat Ali, Director	20,000
8	M/s. Zahur Textile Mills Limited	20,000
	Total	160,000

6. The Company, its Chief Executive and Directors are hereby directed to deposit within thirty days of the date of receipt of this Order the aforesaid fines totalling to Rs.160,000/- (Rupees one hundred and sixty thousand only) in the Commission's designated bank account No. 75010-6 maintained at Habib Bank Limited, Central Branch, 102/ 103, Upper Mall, Lahore or pay 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.

Tariq Bakhtawar
Director (Enforcement)