

**Before Tahir Mahmood, Executive Director (Enforcement)**

In the matter of  
**Kashmir Polytex Limited**

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

Number and date of show cause notices	EMD/Enf-II/307/2005- dated March 30, 2007
Date of hearing	May 07, 2007
Present	Mr. Tanveer Ahmed, Authorized Representative
Date of Order	May 18, 2007

**Order**

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This Order shall dispose off the proceedings initiated against the directors of Kashmir Polytex 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 Commission, its quarterly accounts for the 1<sup>st</sup> quarter ended September 30, 2006 and 2<sup>nd</sup> quarter ended December 31, 2006 by October 31, 2006 and February 28, 2007 respectively. The Company, however, failed to file the requisite accounts with the Commission within the prescribed time period. Failure of the directors to comply with the aforesaid requirement necessitated action against them as provided under the law. Separate show cause notices both dated March 30, 2007 were, therefore, served on the Chief Executive and directors of the Company calling upon them to explain 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. However, no response was received to the aforesaid notices.

3. In order to provide an opportunity of personal hearing, the matter was fixed for May 07, 2007. On the date of hearing, Mr. Tanveer Ahmed, the authorized representative, appeared before me to argue the case on behalf of all the directors of the Company. During the course of hearing, he contended that the Company is registered in Azad Jammu & Kashmir, therefore, the Commission does



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Company Law Division  
(Enforcement Department)

Continuation Sheet- 1 -

not have Jurisdiction over the Company. He further submitted that during the period under review, the Company faced financial constraints, however, now they are in the revival process and have paid all liabilities to PICIC. He informed that the Company has also started exports. Request was also made to allow one month time for preparation and filing of the quarterly accounts and for a lenient view in the matter.

4. I have given due consideration to the arguments advanced by the representative of the directors at the time of hearing but none of them justify the default in filing of quarterly accounts. The plea of the Company that being registered in Azad Jammu & Kashmir, the Company does not fall within the jurisdiction of the Commission is not correct. As per the requirement of Section 245 of the Ordinance, every listed company is required to transmit quarterly accounts to its members and the stock exchanges at which the shares of the Company are listed and simultaneously file the same with the Registrar and the Commission. Since Kashmir Polytex Limited is listed on the Karachi and Lahore Stock Exchanges, therefore, Section 245 of the Ordinance is applicable to the Company and its directors. Accordingly, the directors of the Company are responsible for submission of quarterly accounts to the Commission. The Company has, however, failed to file requisite accounts with the Commission within prescribed time. Moreover, the track record of the Company with regard to filing of annual and quarterly accounts is also not satisfactory. The Company has defaulted in submission of annual and quarterly accounts in the past for which the directors were penalized earlier also. The repetition of default shows that the management of the Company does not take the provisions of Law seriously. Accordingly, the default under Section 245 of the Ordinance is established, which attracts the penal provisions of Sub section (3) of Section 245 of the Ordinance.

5. In view of the above, it appears that the directors of the Company do not assign due importance to the requirements of the law. 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 Section 245 read with Section 476 of the Ordinance, impose a fine of Rs. 30,000/- (Rupees thirty thousand only) on the Chief Executive and each of the directors of the Company responsible for the defaults for the quarters ended September 30, 2006 and December 31, 2006, in the following manner: -



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Company Law Division  
(Enforcement Department)

Continuation Sheet- 2 -

S. #	Name	Penalty in Rs
1	Mr. Muhammad Ashraf Kahn, Chief	30,000
2	Mr. Mushtaq Ahmed, Director	30,000
3	Dr. Mrs. Yasmin Ashraf, Director	30,000
4	Mr. Muhammad Younus Khan, Director	30,000
5	Mrs. Hareem Ara Hashmi, Director	30,000
6	Mr. Muhammad Akram, Director	30,000
	<b>Total:</b>	<b>180,000</b>

6. However, no penalty is imposed on Mr. Shahid Mahmood, director (Nominee ICP). The Chief Executive and directors of Kashmir Polytex Limited are hereby directed to deposit within thirty days of the date of receipt of this Order the aforesaid fine aggregating to Rs.180,000/- (Rupees one hundred and eighty thousand only) in the Commission's designated bank account No. 10464-6, Habib Bank Limited, Central Branch, 2-Habib Bank Plaza, I.I. Chundrigar Road, Karachi 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.

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**Tahir Mahmood**

Executive Director (Enforcement)