



Securities and Exchange Commission of Pakistan
Enforcement Department

[Islamabad]

Before Ashfaq Ahmed Khan, Director

Order

In the Matter of
M/S Metropolitan Steel Corporation Limited

Number and date of notice	EMD/233/20/2002 dated February 11, 2005
Date of hearing	March 07, 2005
Present	Mr. Shariful Muzaffer CFO & Company Secretary
Date of Order	March 10, 2005

This Order shall dispose of the proceedings initiated against M/s Metropolitan Steel Corporation Limited (hereinafter referred to as “the company”) and its Chief Executive under the provisions of Section 472 of the Companies Ordinance, 1984 (hereinafter referred to as “the Ordinance”).

2. The facts leading to this case briefly stated are that examination of the annual accounts of the company for the year ended June 30, 2003 revealed that an amount of Rs 4.682 Million was payable by the Company to Employees Provident Fund Trust (hereinafter referred to as “the fund”). The Chief Executive of the company vide the Commission’s letter dated March 19, 2004 was asked to explain why the company is not making timely payment to the fund in violation of the provisions of Section 227 of the Ordinance. In response, the company replied that *“The new management had taken over charge from Consortium of banks/DFI in the last week of March 2003. The management was busy with the revival of the company, which had closed its operations due to disconnection of electricity, gas and water. The company will pay accumulated contribution of*



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provident fund and regularize payments of the same in time as required under section 227 of the Companies Ordinance, 1984. The current contributions are paid regularly.” However, the accounts of the company for the next year ended June 30, 2004 revealed that Rs. 4.152 Million were still payable to the fund which indicated that the company had not made payment towards accumulated outstanding balance of the fund.

3. Accordingly, a notice in terms of the provisions of Section 472 of the Ordinance was issued to the company and its Chief Executive on February 11, 2005 to make good the default by making payment of the entire outstanding amount of Rs. 4.152 as on June 30, 2004 to the fund within 30 days of the date of the said notice.

4. The reply to the notice was received from the Company Secretary vide his letter dated February 14, 2005 wherein he reiterated the earlier submissions regarding change in management and payment of the current as well portion of outstanding contribution since March 2003 as a result of which the outstanding balance has reduced to Rs. 4.152 million as compared to Rs. 5.505 million in the year 2002. It was submitted that the production of the company was being boosted and the working capital was engaged in production activities and if funds are diverted to make payment to the fund in lump sum the production activities of the company will be seriously hampered. It was further submitted that the entire outstanding amount will be paid in equal monthly installments of Rs. 200,000 each commencing from April 2005.

5. The reply of the company was not found satisfactory as the company instead of making the payment in lump sum had intimated that it would pay back the amount in installments. Accordingly to provide an opportunity of hearing, the case was fixed for March 07, 2005. On the date of hearing, Mr. Shariful



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Muzaffer appeared on behalf of the company and its Chief Executive and reiterated that the company is ready to repay the outstanding amount to the Fund in monthly installments keeping view the liquidity position of the company. It was further stated that the management has been successful in improving the performance of the company after taking over the control of the company since March 2003 which is reflected by the tremendous increase in sales and earning of gross profit in the year 2004 as compared to gross loss in the year 2003. Furthermore while submitting a copy of the ledger accounts of Provident Fund he intimated that as on January 31, 2005 the total outstanding balance stood at Rs. 3.591 million. He during the course of hearing agreed to repay the entire outstanding amount to the fund in seven monthly installments by September 30, 2005. He also gave an undertaking in writing to this respect on behalf of the company.

6. Before proceeding further, it is necessary to advert to the provision of law, under which the notice to undo the irregularity was given. Section 472 of the Ordinance, to the extent relevant, is reproduced as follows:

472. Enforcing compliance with provisions of Ordinance

- (1) If a company, having made default in complying with any provision of this Ordinance or committed any other irregularity fails to make good the default or undo the irregularity, as the case may be, within thirty days after the service of a notice on the company requiring it to do so, the Authority may, of its own motion or on an application made to it by any member or creditor of the company or a reference by the registrar and, in the case of a listed company, besides other persons as aforesaid, on a reference by the stock exchange, make an order directing the company and any officer thereof, as the case may be, to make good the default or undo the irregularity or otherwise make amends, as the circumstances may require, within such time as may be specified in the order.
- (2) Any such order may provide that all costs of and incidental to the application or reference shall be borne by the company or by any officer of the company responsible for the default.



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9. Considering the circumstances and the enhanced working capital requirements in view of the revival of the company it is viewed that it would be in the best interest of the workers and its shareholders that the company continues to perform and earn profit. It appears that the company will not be in a position to pay the entire outstanding in one go without adversely effecting its performance and in view of its cash flow position. The undertaking provided on behalf of the company indicates its willingness to undo the irregularity and the intent to abide by the law.

Therefore, in the circumstances of the case, I proceed to order as follows:

- i The company shall repay the entire outstanding amount to the fund in seven equal monthly installments starting from April 10, 2005 and ending on October 10, 2005;
- ii A report shall be submitted by the company to the Commission on the 20th day of each month along with the proof of payment of the installment;

Ashfaq Ahmed Khan
Director (Enforcement)

Announced:
March 10, 2005
ISLAMABAD