



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

[Islamabad]

Before Tariq Bakhtawar, Director Enforcement

In the matter of M/S. Saitex Spinning Mills Ltd

For non-compliance with certain provisions of the Companies Ordinance, 1984

Number and date of notice	EMD/233/181/2002-3267 dated November 8, 2004
Date of final hearing	February 15, 2005
Present	1) Mr. M. Iqbal Saigol Chief Executive M/S. Saitex Spinning Mills Ltd 2) Mr. Aziz-ur-Rehman Representative, Saigol Group of Companies

ORDER

This order shall dispose off the show cause proceedings initiated against the directors of M/s Saitex Spinning Mills Limited (the "Company") under Section 186 of the Companies Ordinance, 1984 ("the Ordinance") for failing to hold election of directors within the prescribed time period as required by Section 180 of the Ordinance.

2. The Company was incorporated in 1987 as a public limited Company. Its shares are quoted at Lahore and Karachi Stock Exchanges. The principal object and business of the Company is to manufacture and sale of yarn. The paid-up capital of the Company as at September 30, 2004 is Rs. 74.00 million divided into 7,400,000 shares of Rs.10 each. The Company has 1,580 shareholders including individuals, investment companies and financial institutions. The pattern of shareholding annexed to directors' report on the accounts for the year ended September 30, 2004 shows that directors, their spouses and minor children, and associated companies hold 32.10% of total shareholding which indicates that there is a considerable public interest in the shares of the Company. The latest elections of directors of the Company were held on June 5, 2004. As per Form 29 (Particulars of Directors) dated June 17,



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2004 filed with the Company Registration Office, Lahore, the following seven persons were appointed as directors by the Company:

S. #	Name
1.	Mr. M. Iqbal Saigol
2.	Mr. M. Samir Saigol
3.	Mr. M. Nadeem Saigol
4.	Mirza Mehmood-ul-Hassan (Nominee NIT)
5.	Khawaja M. Sadiq
6.	Mrs. Farhat Siddiqui
7.	Mr. Munsif Ali Alvi

3. In order to fully appreciate the issue in hand, it is necessary to have a glance into the relevant background facts of the case. The Commission while examining the record of the Company observed that the directors of the Company were required to hold election of directors on March 11, 2004 as required under Section 180 of the Ordinance whereas the said elections were held on June 5, 2004 i.e with a delay of 86 days. It has further been observed that the Company vide its letter dated March 8, 2004 addressed to the Additional Registrar, Company Registration Office (CRO) Lahore requested for extension of 90 days for holding of aforesaid election due to closure of mills since May 2002 and shortage of staff including its secretarial staff. The said request for grant of extension was not acceded to by the Registrar concerned as the reasons stated were not found convincing. The Additional Registrar, CRO Lahore in response vide his letter dated March 11, 2004 informed the Company of the relevant legal provisions pertaining to election of directors and refused the same as there was no provision in the Ordinance which allow an extension in period for holding of election of directors of the Company. The Company was also advised to hold the election of directors as early as possible.

4. Consequently, a notice dated November 8, 2004 was served upon the directors of the Company and the Company Secretary to show cause and explain as to why penalty as provided under Section 186 of the Ordinance may not be imposed for violation of the mandatory



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provisions of Section 180 of the Ordinance. The aforesaid notice was responded by the Company Secretary vide his letter dated December 10, 2004.

5. In order to provide an opportunity of personal hearing, the case was fixed on February 3, 2005. However, on the request of the Company for an adjournment of the said hearing, the matter was re-fixed for February 15, 2005 on which date Mr. M. Iqbal Saigol, Chief Executive of the Company along with Mr. Aziz-ur-Rehman, representative Saigol Group appeared and admitted the default for not holding the election of directors within the prescribed timeframe as provided under Section 180 of the Ordinance.

6. In written submissions made by the Company's Chief Executive as well as at the time of hearing of this case, it was informed that the project was closed down during the last week of May 2002 due to financial constraints and unsustainable debts. The Company also informed that due to facing difficulties in managing the project, the mill staff were paid off whereas the Head Office staff resigned due to uncertain conditions and bleak future of the Company, for which it was extremely difficult to meet the Company's secretarial and accounting obligations timely. It was also reiterated that the Registrar CRO, Lahore was duly intimated vide Company's letter dated March 8, 2004 of their inability to hold the aforesaid election before March 11, 2004 where it was also assured that the said elections would be held within extended 90 days. The Company also informed that subsequently the election of directors was duly completed at an EOGM held on June 5, 2004 after following the prescribed procedure and meeting the related statutory requirements. The Chief Executive further stated that after the election of directors, all the requisite secretarial formalities were duly complied with and all concerned including the Registrar CRO, Lahore were duly informed.

7. In view of the foregoing, default under Section 180 read with Section 177 and 178 is established and admitted, which invoke penalties under Section 186 of the Ordinance which provides that whoever knowingly and willfully contravenes or fails to comply with any of the provisions of Sections 174 to 185 or is a party to the contravention of the said provisions shall be liable to a fine which may extend to ten thousand rupees and may also be debarred by the authority which imposes the fine from becoming or continuing a director of the company for a



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period not exceeding three years. It was the duty of directors to hold elections timely as the reasons stated by them are not found cogent. However, as the directors have now held its elections and also reported the same to the concerned Registrar, instead of imposing maximum penalty of Rs. 10,000 on each director, impose Rs. 10,000 each on the Chief Executive and the Company Secretary only (Total Rs. 20,000) who are directed to deposit the fine amounting Rs. 10,000 each, aggregating to Rs. 20,000 (Rupees twenty thousand only) in the designated bank account of the Securities and Exchange Commission of Pakistan, maintained with Habib Bank Limited and furnish a receipted challan to the Securities & Exchange Commission of Pakistan or pay through a demand draft drawn on Habib Bank Limited in the name of Securities and Exchange Commission of Pakistan within thirty days of the date of this Order, failing which proceedings for recovery of the fines as arrears of land revenue will be initiated.

8. All the directors on the Company's Board and the Company Secretary are advised to remain careful in future in ensuring compliance with the statutory requirements.

Tariq Bakhtawar
Director Enforcement

Announced:
March 21, 2005
Islamabad