

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
(Monitoring & Enforcement Division)  
State Life Building, 7-Blue Area,  
Islamabad

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NO. 19(608)/CF/ISS/92

Islamabad, dated 22<sup>nd</sup> July, 1999

**ORDER UNDER SECTION 251(2) OF THE Companies Ordinance, 1984**  
**IN CASE OF M/S. ZAINAB TEXTILE MILLS LIMITED.**

An application dated 28-05-1999 has been received from M/s. Zainab Textile Mills Limited under sub-section (2) of section 251 of the Companies ordinance, 1984 for permitting the company to with-hold payment of dividend to the extent of Rs. 4,53,510/- towards 503,900 shares reportedly held by Mr. Immad Iftikhar, Miss Faryal Agha and Miss Farah Iftikhar. To process the case, the company vide this Commission's letter dated June 11,1999 was directed to furnish the names of transferors and transferees etc. within one month and also to inform about the steps which were taken to resolve the dispute. Meantime, a letter dated 7<sup>th</sup> June, 1999 from one Mr. Immad Iftikhar Malik was received by the Commission in which he pointed out that he did not receive the dividend warrants and when he asked the company to provide him a certified copy of Register of Members of the company, the company has not furnished the same to him. Mr. Immad Iftikhar Malik requested the Commission to take action for not providing to him the copy of the Register of members. The applicant enclosed with his application all copies of the correspondence exchanged between him and the company which includes company's letter dated May 28, 1999 through which the complainant was informed that the company has received applications from different persons that the shares in question had been purchased by them and the original shares had been handed over by the complainant to them. So the payment of dividend became disputed. The company conveyed to the complainant that the other individuals have requested the company that dividend warrants may not be despatched to any one till he produce the original share-

certificates and transfer deeds. The company informed the complainant that "the said claimant has been advised to produce evidence and applicant has also been advised to produce original share certificates".

2. After having examined this complaint, the Commission vide its letter dated 17th June, 1999 pointed out to the company that law categorically explains that the dividend has to be paid to the registered shareholders. The company further reminded about the serious consequence of violation of Section 251 of the Companies Ordinance, 1984 and was asked to intimate the latest position. The company vide its letter dated 19th June, 1999 pointed out that the application for deferment of dividend has already been filed with the Commission and the required information would be submitted within time allowed by the Commission i.e. one month. The company provided the required information through its letter dated 9th July, 1999, accordingly the matter has been examined in light of the material originally furnished and as provided through the said letter

3. The Annual General Meeting of the company was held on 26-03-1999 and according to sub-section (1) of section 251 of the Companies Ordinance, 1984, the company was legally bound to despatch the dividend warrants latest by 10th May, 1999 i.e. within 45 days from the date of declaration of dividend. Section 251(2) of the Companies Ordinance, 1984 empowers the Commission to permit a company to withhold the payment of dividend on an application made within 45 days of the declaration of dividend. It has been noticed that in this case the application was not made within the prescribed time limit i.e. upto 10th May, 1999 so the company was already in default when application was made for deferment of dividend.

4. Further, the documents produced by the company in support of its application has been examined and it appears that the company has manipulated the facts to justify withholding of the dividend warrants. It is interesting to note that out of 8 cases of transfer of shares, 4 applications were received in company's registered office even after

28<sup>th</sup> May, 1999 when the application under 251(2) Section of the Companies Ordinance, 1984 was filed. This fact is revealed by the date generated by the fax on the letters faxed by Mr. Mohsin Ali Khan, Mr. Abdul Razzak, Seema Irfan and Shafqhat Rana. All these faxes were received within 10 minutes i.e. from 13.55 hours to 14.06 hours on 29-5-1999. Furthermore, none of the letters raising dispute carry any indication that these were ever entered in any record and considered by any one in company's registration office. In case of one Mr. Aamer Ahmed, it has been stated in his letter that he filed application for transfer of shares on 9-01-1998. Section 74(1) of the Companies Ordinance, 1984 requires a company to effect transfer of shares within 45 days from the date of the application for registration of transfer and deliver dividend warrants. In view of this provision of the Companies Ordinance, these shares should have been transferred till 24-2-1998. The question is why these shares were not transferred in case of Mr. Aamer Ahmed. In case of one Syed Qamar Waqar the application is dated 27-3-1999 whereas meeting was held on 26-3-1999 which was last day of closure of books and it is not understandable how a dispute could arise in this case when even the application for transfer is dated after a day from the last day of closure of books. Similar is the situation in case of Mr. Farrukh Ahmed and Saadat Mahmood whose applications are date 5-5-1999 and 16-4-1929 respectively. Section 250(1), of the Companies Ordinance, 1984 categorically explains that the dividend should be paid to the registered shareholders. The company has not furnished evidence of any dispute about the shares in any court of law and stay, if any, granted by any court directing the company to stop dividend. In view of this I am of the firm view that the company has not come to this Commission with clean hands and also the application for deferment of dividend was not filed within the prescribed time. The application of the company is accordingly rejected.

**(M. Zafar - ul - Haq Hijazi)**

**Commissioner (Enforcement)**

Place: Islamabad  
Dated: 22-07-1999