

Before Tahir Mahmood, Executive Director (Enforcement)

In the matter of

Quality Steel Works Limited

(Under Sub-section (4) of Section 158 of the Companies Ordinance, 1984)

No. & date of show cause notice	EMD/Enf-II/492/2005- dated December 15, 2006
Date of hearing	April 02, 2007
Present	Mr. Muhammad Irshad & Mr. Mahmood Ahmad Authorized representatives
Date of Order	May 18, 2007

Order

This Order shall dispose of the proceedings initiated against Quality Steel Works 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 (the “AGM”) for the year ended June 30, 2006 on or before October 31, 2006. The Company failed to hold the aforesaid AGM within the prescribed time period. The failure of the Company to comply with the aforesaid mandatory requirements necessitated action against the Company and its directors in terms of Sub-section (4) of Section 158 of the Ordinance. Consequently, a show cause notice dated December 15, 2006 was served on the Company and its directors including the Chief Executive calling upon them to show cause as to why penalties as provided under Sub-section (4) of Section 158 read with Section 476 of the Ordinance may not be imposed on them. In response to the show-cause notice, Mr. Mushtaq Ahmed, one of the directors of the Company requested vide his letter dated December 20, 2006 to allow them to be heard in person through their authorized representative in the first fortnight of February 2007.

3. In order to provide an opportunity of personal hearing the matter was fixed for February 13, 2007. No one appeared for hearing on the given date and time. However, a written reply dated February 07, 2007 was received from Mr. Naimatullah Khan Marwat, Advocate being authorized representative of the directors wherein it was contended that due to his serious indisposition he was



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unable to attend hearing at Islamabad. He requested to adjourn the matter till the last week of March 2007. Hearing was accordingly adjourned and re-fixed for March 29, 2007 which was again adjourned and re-fixed for April 02, 2007 at Karachi. On the aforesaid date Mr. Muhammad Irshad & Mr. Mahmood Ahmad, appeared before me on behalf of the directors of the Company to argue the case. During the course of hearing, while admitting the default, they contended that the AGM could not be held because during the period under review, the operations of the Company remained suspended and there was no staff to prepare the accounts. Further that the management of the Company remained involved in litigations with the banks for settlement of loans. They added that the Company has now cleared all the liabilities to the banks and have entered into a compromise with them. They contended that the pending AGMs for the years ended June 30, 2002 to June 30, 2006 are now being held after seeking direction from the Commission under Section 170 of the Ordinance.

4. I have given due consideration to the arguments advanced by the directors' counsel, however, none of them justify the default. The Company was not functioning is not a cogent excuse for non holding of AGM and non circulation of annual accounts to the share holders. In the circumstances, described above, the directors of the Company could have refrained from committing the aforesaid default. It was rather easier for the directors to have prepared the annual accounts when the mill is non-operative as less effort is required to collect the data for preparation of annual accounts and to hold the AGM within prescribed time. The Company however failed to hold the AGM on the given time and same has been held till the date of this order. Moreover, I appreciate the efforts of the directors to resolve the litigations of the Company with the banks however the directors should have also given due regards to the provisions of the Ordinance for timely holding of AGM. Since the representatives of the directors have failed to furnish any cogent reason to justify the default, therefore the same is considered willful and deliberate.

5. Before proceeding to decide this case, I consider it necessary to highlight the importance of the strict observance of the aforesaid mandatory provisions of the law. The protection of the investors/shareholders is one of the primary objectives of the Ordinance. It is investors/shareholders who provide seed for capital formation. If the interest of the investors is protected, they will save and invest more. Their interest is protected by transmission of timely, adequate and meaningful information to them. It is the annual and interim accounts, which provide information to the investors about the affairs of the companies. AGM is a forum where the investors can freely discuss, speak and vote on important matters concerning approval of accounts, appointment of auditors, election of



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directors etc. It has unfortunately been noted that the directors of the Company are not observing these compulsory requirements of law.

6. In view of the foregoing, the default regarding holding of AGM for the year ended June 30, 2006 stands established. However, instead of imposing the maximum fine of Rs.50,000 on the Company and every director and a further fine of Rs.2,000 per day for the continuous default, I impose penalty of Rs.30,000/- (Rupees thirty thousand only) on the Chief Executive and each of the directors of the Company under Sub-section (4) of Section 158 of the Ordinance in the following manner: -

S. No.	Name	Penalty in Rs.
1.	Mr. Muhammad Ziauddin, Chief Executive	30,000
2.	Mr. Mushtaq Ahmad, Director	30,000
3.	Mr. Salman Ali, Director	30,000
4.	Mr. Ashfaq Ahmed, Director	30,000
5.	Mr. Ismail Mukaddam, Director	30,000
6.	Mr. Muhammad Arif, Director	30,000
7.	Syed Hyder Abbas Zaidi, Director	30,000
	Total	210,000

7. The Chief Executive and directors of Quality Steel Works Limited are hereby directed to deposit the aforesaid fines aggregating to Rs.210,000/- (Rupees two hundred and ten thousand only) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited within thirty days from the receipt of this Order and furnish receipted vouchers issued in the name of 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 movable and immovable property. It may also be noted that the said penalties are imposed on the Chief Executive and other directors in their personal capacity and they are required to pay the said amount from their personal resources.

Tahir Mahmood

Executive Director (Enforcement)



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