

Before Tahir Mahmood, Executive Director (Enforcement)

In the matter of

Saleem Denim Industries Limited

UNDER SECTION 186 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984

Number and date of notice	EMD/233/229/2002-333-339/1, dated July 05, 2007
Date of hearing	August 29, 2007
Present	Mr. Shahid Saleem, Director

ORDER

This order shall dispose of the proceedings initiated against the directors of Saleem Denim Industries Limited (Company) under Section 186 of the Companies Ordinance, 1984 (Ordinance) for non-holding of election of directors of the Company as required under Section 177 of the Ordinance.

2. Brief facts of the case are that the Commission while examining the record of the Company observed that the last election of directors of the Company was held on May 30, 2004, to elect directors for a period of 3 years which expired on May 30, 2007. In terms of Section 177 of the Ordinance the directors of the Company, on expiry of their term, were required to take immediate steps to hold election of directors and in case of any impediment report the circumstances of the case to the Registrar within 15 days of the expiry of term of three years. However, the continuing directors, not only, failed to hold elections but also failed to report the impediment to the Registrar within the prescribed time. Consequently, a notice dated July 05, 2007 was served upon the directors of the Company to show cause as to why penalty as provided under Section 186 read with Section 476 of the Ordinance, may not be imposed and as to why they may not be debarred from continuing or becoming the director of the Company for a period not exceeding three years for the aforesaid contravention.

3. Our aforesaid show cause notice was responded by Mr. Shahid Saleem, Director of the Company on behalf of all the directors. Mr. Saleem in his written submissions as well as at the time of hearing held on August 29, 2007 offered following arguments:

- Election of directors could not be held in time nor was SECP informed of its postponement because the Chief Executive of the Company was out of country for his medical treatment.
- When the default came to their knowledge they took immediate action and held election in EOGM held on August 10, 2007.

- In view of the peculiar circumstances of the Company the Commission should take a lenient view of the default.

4. I have taken into consideration the submissions made before me and have also perused the relevant legal provisions applicable in this case. The default is established and admitted. Absence of the Chief Executive from the country is not a cogent reason for non-holding of election of directors or for failure to report impediment. Other than the Chief Executive, six directors were present in the country and it was their statutory responsibility to ensure compliance with the mandatory provisions of the Ordinance within the time prescribed therein however they failed to do so. The default therefore may not be ignored.

5. However, considering the fact that the directors in response to our show cause notice have now held elections in EOGM held on August 10, 2007, I am inclined to take a lenient view of the default and instead of imposing maximum penalty of Rs. 10,000 on each director and debarring them from continuing or becoming the director of the Company for a period of 3 years, impose a *token* penalty of Rs. 2,000/- each on all the directors (except Chief Executive Officer Mr. Tahir Saleem Chaudhry) namely Mr. Shahid Saleem Chaudhry, Mrs. Sobia Saleem, Mr. Abdul Haq Chaudhry, Mr. Abdul Aziz Chaudhry, Mrs. Nosheen Shahid and Mr. Ghulam Farid. The directors of the Company are also advised to remain careful in future in ensuring compliance with the mandatory requirements of the statute.

6. The directors of the Company are directed to deposit the aforesaid fines aggregating to Rs.12,000 (Rupees twelve thousand only) in the designated bank account maintained in the name of the Securities and Exchange Commission of Pakistan with Habib Bank Limited or pay through a demand draft in the name of the Securities and Exchange Commission of Pakistan within thirty days from the receipt of this order and furnish receipted bank voucher to the Commission, failing which proceedings for recovery of the fines as an arrear of land revenue will be initiated. It may also be noted that the said penalty is imposed on directors in their personal capacity; therefore, they are required to pay the said amount from their personal resources.

Tahir Mahmood
Executive Director (Enforcement)

Announced
September 13, 2007
Islamabad.