



Corporate Supervision Department  
Company Law Division

Before Ms. Amina Aziz – Director (CSD)

*In the matter of*

**Paramount Spinning Mills Limited**

Number and date of SCN: No. CSD/ARN/191/2015 dated January 06, 2017  
Date of hearing: January 17, 2017, January 25, 2017, February 07, 2017, May 04, 2017 and May 25, 2017  
Authorized Representative: Mr. Shadman Shoaib,  
Mr. Abid Amin

**ORDER**

**UNDER SECTION 158 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984**

This order shall dispose of the proceedings initiated against the following directors including the chief executive officer (together referred to as "respondents") of **Paramount Textile Mills Limited** (the "Company"):

- |   |                          |   |                            |
|---|--------------------------|---|----------------------------|
| 1 | Mr. Sohail Maqsood       | 5 | Mr. Muhammad Akhtar Mirza  |
| 2 | Mr. Iftikhar Ali         | 6 | Mr. Muhammad Maqbool Anjum |
| 3 | Mr. Abid Sattar          | 7 | Mr. Hussain Ather          |
| 4 | Mr. Muhammad Ashraf Khan |   |                            |

The proceedings against the respondents were initiated through show cause notice (the "SCN") dated January 06, 2017 under the provisions of section 158 read with section 476 of the Companies Ordinance, 1984 (the "Ordinance").

2. The brief facts of the case are that the Company was required to hold its annual general meeting ("AGM") for the year ended June 30, 2016 on or before October 31, 2016, in terms of sub-section (1) of section 158 of the Ordinance. However, review of record revealed that the Company failed to convene the AGM as per requirement of the law. Consequently, the SCN was issued to the respondents whereof they were called upon to show cause in writing within fourteen days as to why penal action may not be taken against them under section 158 of the Ordinance for not holding the AGM.

3. Hearing in the matter was held on May 25, 2017, Mr. Shadman Shoaib and Mr. Abid Amin, appeared on behalf of the Company as authorized representatives before the undersigned. They stated that due to uncontrollable circumstances the Company was not able to hold its AGM for the year ended

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June 30, 2015 and June 30, 2016 within the prescribed time. However, the state of affairs of the Company are improving. It is regularizing things, the audit of the accounts of the company is in the final stage and expected to complete till August 31, 2017 for the year ended June 30, 2015 and till September 30, 2017 for the year ended 2016.

4. Furthermore, the Company had sought directions to hold its overdue AGM for both the years that is June 30, 2015 and June 30, 2016 and lastly, the representatives requested for a lenient view.

5. Before proceeding further, it is necessary to advert to the following relevant provisions of the Ordinance.

Sub-section (1) of section 158 of the Ordinance, inter alia, provides as under:

*Every company shall hold, in addition to any other meeting, a general meeting, as its annual general meeting, within eighteen months from the date of its incorporation and thereafter once at least in every calendar year within a period of four months following the close of its financial year and not more than fifteen months after the holding of its last preceding annual general meeting:*

Sub-section (4) of section 158, inter alia, provides as under:

*If default is made in complying with any provision of this section, the company and every officer of the company who is knowingly and willfully a party to the default shall be liable,--*

*(a) if the default relates to a listed company, to a fine not less than fifty thousand rupees and not exceeding five hundred thousand rupees and to a further fine not exceeding two thousand rupees for every day after the first during which the default continues;*

In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 158 have been delegated to the Director (Corporate Supervision Department).

6. I have analyzed the facts of the case, relevant provisions of the Ordinance, and facts available on record. The aforesaid provisions of the law are clear and explicit. A company is required to hold its AGM within four month from the close of its financial year provided that the Commission may extend the time for thirty days based on application by the company. Holding of AGM is a very important statutory event and provides an opportunity to the shareholders, including those in minority, to participate in discussion and voting on agenda items of the AGM. This includes consideration and approval of a company's financial statements, which not only show the financial position and performance of the company but also show the results of management's stewardship of resources entrusted to it. The timeline of the provision of financial statements to the shareholders is of utmost importance. The investment decisions of the shareholders are based on the information presented to them in financial statements. Delay in presentation of the said information could lead to either uninformed decision or have an adverse effect with respect to its timing. In order to ensure transparency, the company must meticulously follow the procedure prescribed by the Ordinance for holding the AGMs. In addition to their responsibilities of overseeing and managing affairs of the Company, directors also have fiduciary duties towards the Company and its shareholders. They are, therefore, liable to a higher level of accountability, which requires them to be vigilant and perform their duties with care and prudence. It is directors'

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responsibility to oversee the functioning of the company, to keep it appropriately staffed and organized to ensure due compliance of law. In this context, the respondents cannot absolve themselves of their statutory duties regarding holding of AGMs and preparing and filing of annual and quarterly accounts in a timely manner as required by the law.

7. I have perused the matter, reviewed the compliance history of the Company with respect to statutory filings with the Commission and the submission made before me during the hearing. The Company except for the past couple of years had a satisfactory compliance history vis-à-vis filing of annual and quarterly accounts. However, during the past two years the respondents failed to fulfill their statutory obligation thereby depriving the shareholders from their basic right to information. The respondent have been penalized for the same non-compliance in the previous year. However, in the past the respondents had failed to acknowledge and respond to the notices issued the Commission. It is heartening to note that the respondent have engaged with the Commission in a constructive manner and have pledged to ensure compliance and hold the overdue AGMs. Keeping in view, the fact that the Company has sought directions to hold its overdue AGM, and given the assurance to hold the next AGM in a timely manner, I hereby taking a lenient view, conclude the proceedings with a warning.



**Amina Aziz**  
Director (CSD)

**Announced:**  
June 30, 2017  
Islamabad

