

Before Tahir Mahmood, Executive Director (Enforcement)

In the matter of

Quality Steel Works Limited

Under Section 309(b) of the Companies Ordinance, 1984

No. and date of show cause notice	No. EMD/233/249/2002-3848-56 Dated April 30, 2008
Date of hearing	May 26, 2008
Present:	Mr. Asad Iqbal Siddiqui, Legal Counsel
Date of Order	June 02, 2008

ORDER

This order shall dispose of show cause proceedings in the matter of Show cause No.EMD/233/249/2002-3848-56 dated April 30, 2008 under Section under Section 309 read with Section 305 of the Companies Ordinance, 1984 (“Ordinance”) issued to the M/S Quality Steel Works Limited (the “Company”) and Directors of the Company namely Mr.Mohammad Ziauddin, Mr. Mushtaq Ahmad, Mr. Salman Ali, Mr. Ashfaq Ahmed, Mr. Ismail Mukaddam, Mr. Muhammad Arif and Syed Hyder Abbas Zaidi

2. The Registrar of Companies, Company Registration Office, Karachi (“CRO”) approached this Commission for grant of sanction in terms of Proviso (b) of Section 309 of the Companies Ordinance, 1984 (the “Ordinance”) to present a petition before the Honourable High Court for winding up of the Company in view of the following circumstances:

- Company has suspended its business for a whole year and has sold its entire assets. As per record, the Company’s operations are closed since 2001 in violation of Sub Section (c) of Section 305.
- Company has failed to hold two consecutive annual general meeting and as per record, no annual general meeting has been held since 2002 in violation of Sub Section (b) of Section 305.

3. On receipt of Registrar's request, before granting the requisite sanction, a show cause notice dated April 30, 2008 was served on the Company and its Directors in terms of Section 309(b) of the Ordinance highlighting the ground under which the Registrar has approached this Commission to present a petition for winding up of the Company. In order to provide an opportunity of making a representation and being heard, the case was fixed for hearing on May 26, 2008. On the date of hearing Mr. Asad Iqbal Siddiqui, an authorized representative, appeared before the undersigned and argued that;

- The Company was denationalized in 1993 and actual position of the Company at the time of denationalization in 1993 was very bad. The last Managing Director at that time submitted to the Chairman of State Engineering Corporation Limited that the Company has become sick unit and there appears to be no justification to continue the operations of the Company. The financial statements provided to the existing management were far from actual, the actual liabilities were understated and assets were overstated.
- To recommence the production activities, a substantial amount of Rs. 35.959 million had to be injected as working capital. In spite of heavy accumulated losses of Rs. 134.479 million, the Company in just years of operation recorded a nominal net profit in year 1995 and again in 1998.
- The existing management availed opportunity given by State Bank of Pakistan under Circular 29 and sold all the assets including land, building, machinery to settle the liabilities. The total proceeds were collected by NBP from the buyers and entire liabilities of the unit were adjusted. It is only due to the existing management that the Company has settled off its major liabilities
- The learned Counsel admitted that the Company has no revival plan, the Company has suspended its business for a whole year and has sold its entire assets with no hope of revival. In absence of the required infrastructure the Company cannot comply with the legal requirements in terms of holding of annual general meetings and preparation and circulation of the financial statements.

6. Before proceeding further, it would be necessary to look at certain important facts regarding this Company. Company has committed a number of violations of the Companies Ordinance, 1984 for which the Commission has imposed fines on the company and its management as detailed in Annexure-A.

4. The Company applied for direction from Commission to hold its overdue AGMs and the Direction, under Section 170 of the Ordinance, was issued on June 01, 2007 to hold the overdue AGMs. The legal counsel represented that the over due AGMs was held on July 13, 2007. However, no intimation of holding the AGM was given to this office and compliance with respect to holding the AGM has not been made.

5. The Company had sent the annual accounts to the Commission upto the period ended on June 30, 2006. It has been observed that the Auditors have given adverse opinion on the accounts by stating that the financial statements do not give true and fair view of the affairs of the Company. The authorized and paid up capital, as per its latest available audited balance sheet as at June 30, 2006, is Rs. 60 million and divided into 10 million ordinary shares of Rs. 10 each and Rs. 17.717 million divided into 1.771 million ordinary shares of Rs. 10 each respectively. The Company has accumulated loss of Rs. 16.268 million, the current liabilities stood at Rs. 3.653 million against current assets of Rs. 3.742 million. The long term advances are stated at Rs. 1.360 million. The Company has no operating fixed assets and with such financial conditions there appears no outlook whereby this Company can be made operational.

6. Section 305 of the Ordinance provides the circumstances in which the Court may wind up a company. These also include non-holding of two consecutive annual general meetings and suspension of business for a whole year. In the instant case, the Company has failed to hold its AGMs since 2002 and its business has also been suspended for more than a whole year.

7. From the above discussion and after careful consideration of all the facts and circumstances of the case, the undersigned is of the opinion that the Company is liable to be wound up. The arguments of the legal counsel do not hold grounds and he has not been able to provide any evidence that the Company has not violated the provision of Sub Section (b) and (c) of Section 305 of the ordinance.

8. For the forgoing, I, in exercise of the powers conferred on me under Section 309 of the Ordinance, hereby authorize the Registrar, Company Registration Office, Karachi to present a petition for winding up of Quality Steel Works Limited.

Tahir Mahmood
Executive Director (Enforcement)

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

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Annexure A

Date of order	Section(s)	Violation	Fine imposed
26.09.2000	245	Failure to circulate/file Half Yearly Accounts for the period ended 31.12.1999.	Rs.10,000 on all the directors.
20.08.2001	158	Failure to hold the AGM for the year 1999 and 2000.	Rs.1,40,000 on all the directors.
20.08.2001	245	Failure to circulate/file Half Yearly Accounts for the period ended 31.12.2000.	Rs.1,40,000 on all the directors.
23.05.2002	158	Failure to hold the AGM for the year 2001.	Rs.24,48,000 on the company and all the directors. This is reduced by Sind High Court to Rs.787,500.
28.06.2002	245	Failure to circulate/file Half Yearly Accounts for the period ended 31.12.2001.	Rs.1,75,000 on the chief executive and other directors.
15.07.2002	150(3)	Failure to supply the copy of list of shareholders to a shareholder.	Rs.20,000/- on the company and all the directors. Which is reduced by Appellate Bench to Rs.4000
30.06.2003	160(1)	Failure to send the statement of material facts for conducting the special business, with the notice of AGM schedule for 30.07.2002.	Rs.70,000 on all the directors.
30.12.2003	186	Failure to hold the election of directors due in August 1999.	Rs.70,000 on all the directors.
20.04.2005	158	Failure to hold the AGM for the year 2004.	Rs.3,50,000 on all the directors.
18.04.2005	245	Failure to circulate/file Quarterly Accounts for the period ended 31.12.2003, 31.03.2004 and 30.09.2004	Rs.7,00,000 on all the directors.
17.08.2005	245	Failure to circulate/file Quarterly Accounts for the period ended 31.12.2004 and 31.03.2005	Rs.700,000 on all the directors.
Total Penalties after reductions			Rs.3,146,500
Paid By Directors/ Company			Rs.1,044,000
Outstanding Penalties			Rs.2,102,500