



Before Mr. Tahir Mahmood, Executive Director (Enforcement)

In the matter of

Norrie Textile Mills limited

(Under section 495 read with section 476 of the Companies Ordinance, 1984)

This order shall dispose of show cause proceedings in the matter of Show cause No.EMD/233/348/2002/720-737 dated November 17, 2008, under Section 495 read with 476 of the Companies Ordinance, 1984 (the "Ordinance") issued to the directors of M/s Norrie Textile Mills Limited (the "company") namely Mr. Zakaria Ghani, Director / Chief Executive, Mr. Noor A. Qadir, Director, Mr. Khalid Abid Mukhtar Shah, Director / Company Secretary, Mr. Munawar Saeed Khan, Director, Mr. Wasim Ahmed, Director, Mr. Rehmatullah Qadri, Director and Mr. Mukesh Kumar, Director.

2. Executive Director (Enforcement), Securities and Exchange Commission of Pakistan (the "Commission") ordered an inspection under Section 231 of the Ordinance on September 1, 2008, to inspect the books of accounts and books and papers of M/s Norrie Textile Mills Limited (the "Company"), to inquire into the matter of eligible securities of Rs. 598.6 million registered in Central Depository System (the "CDS") beyond the paid up capital of Rs. 48.6 million of the company reported in its half yearly accounts for the period ended December 31, 2007 and quarterly accounts for the period ended March 31, 2008.

3. The aforesaid inspection order was delivered at the company's office on September 3, 2008 that authorized the inspectors appointed to inspect the books of accounts and books and papers of the company, however, access to the requisite books and records of the Company was denied to the duly authorized inspectors of the Commission.

- a. In view of the aforesaid denial by the Company, the matter was brought to the notice of Honourable High Court, in the already on-going winding-up proceedings initiated against the company under J.M. No. 16 of 2008, through an application filed in the court. The Honourable High Court of Sindh, Karachi vide its order dated September 25, 2008 also directed the Company to produce the requisite information / record / books before the inquiry officers / inspectors appointed by the Commission for inspection within 15 days of the date of the said order.
- b. On October 6, 2008, the authorized inspector reminded the company to make available all information / records of the Company to the inspectors / enquiry officers.



- c. On October 9, 2008, one of the directors of the company Mr. Noor Qadir, in response to the above letters, informed the Commission that a representative of the company will be deputed to contact the Commission to coordinate the work of inspection.
- d. On October 13, 2008, Mr. Noor Qadir, communicated that shares of above company are lying with the legal counsel while all accounts of the company are lying in Norriabad that require another ten (10) days to be shifted at the Head Office of the company at Karachi.
- e. On October 17, 2008, Mr. Noor Qadir requested for extension of seven days for completion and availability of records for inspection due to in-progress statutory audit 2008 and other subjudice matter pertaining to the share department record, in response to the Commission letter dated October 14, 2008 on the issue.
- f. On October 28, 2008, the Hon'ble High Court allowed further two (2) weeks time during the proceedings of JM No. 16 of 2006, however the relevant record was not been made available despite the expiry of the aforesaid extended time.

4. The aforesaid chronological events depicts that compliance with directions of the Commission, to make available the requisite records, was not made by the company therefore it was considered imperative that proceeding under section 495 read with section 476 should be initiated. Show Cause Notices were issued to the directors of the company and the company secretary that required each of them to explain their position in writing within fourteen (14) days of the date of show cause notice for not complying with the inspection order issued under section 231 of the Ordinance, by not making the books of account and books and papers of the company available to the authorized inspectors.

- a. In response to the show cause notice, the company instead of providing information inquired, vide their letter dated November 27, 2008, to whom the inspection order was delivered and its receipt on behalf of the company. Moreover, they informed that the show cause notice has been referred to the legal counsel of the company to advise the company on its contents.
- b. In order to provide the company an opportunity to represent the case, a hearing was fixed for December 15, 2008, however the company requested for deferment of hearing to another date on the plea that their legal advisor, Mr. Sahfiq Ahmed, Advocate was on general adjournment from Dec 4, 2008 to Dec 19, 2008. The company request was acceded to and another date for hearing was re-fixed on January 6, 2009.
- c. On January 5, 2008 the Commission received a letter dated from M/s Nuruddin Sarki and Co. Advocate and Legal Counselors, on behalf of the directors of the company, stating that;



- The Company informed him that clarification had been sought from the Commission regarding who received the inspection order on behalf of the company and at what address it was sent. The company also sought information that who had refused, on behalf of the company, access to the record.
 - Sindh High Court has allowed further two (2) weeks time for production of record therefore no violation of any provision has been made and that since the proceedings are pending before the court therefore court has the jurisdiction to proceed further on the matter.
 - Commission's response to the company's queries and adjournment of hearing to another date was finally requested. Moreover, it was stated that if the request for adjournment is not acceded to, the above mentioned submission may be considered as written arguments.
- d. The Commission, vide its letter No. EMD / 233 / 348 / 2002 / 773-780 dated January 13, 2009 extended a final opportunity to the company to represent their case and make submissions on January 21, 2009, and advised them on the issues raised by the company.
- e. M/s Nuruddin Sarki and Co. acknowledged the hearing notice on behalf of the company vide their letter dated January 20, 2009 and requested for another hearing opportunity due to reason that an another urgent case was fixed on January 21, 2009 in the Sindh High Court. In the meantime, Mr. Zakaria Ghani, the chief executive of the company submitted photocopies of some of the correspondence exchanged referred above and other documents vide his letter January 16, 2008. The documents submitted were not the record and documents called for by the authorized inspectors in their latter date October 6, 2008 or otherwise related to inspections objectives.
5. The situation, prima facie, exhibits the existence of share fraud and poses a risk for the public at large. The eligible securities in Central Depository System (CDS) and paid-up capital report reported in accounts disclose huge differences; Paid-up capital of Rs. 48.6 million was reported in the half yearly accounts of the company for the period ended December 31, 2007 and quarterly accounts for the period ended March 31, 2008, while eligible securities of Rs.598.6 million were registered in CDS. These differences coupled with unusual trading pattern transpire that counterfeit shares of the Company are in circulation in the market.
6. The above events sufficiently demonstrate that the company is trying to buy time to detract the Commission in its efforts to expose the fraud apparently perpetrated in the securities market by engaging



the commission through correspondence containing irrelevant issues and repeated requests for giving further time to arrange information on evasive excuses. One of the main reason put forward by the company for the delay caused in arranging the information for inspection was the unavailability of record at the Registered Office/Share Department in Karachi i.e. *Suite No. 406, 4th Floor, Trade Centre, I.I. Chundrigar Road, Karachi*. Whereas in accordance with section 230(1) of the Ordinance the record should have been readily available at the registered office. The company further went on to forward another request through letter of Mr. Noor Qadir dated October 17, 2008 for granting extension for seven days for completion and availability of records for inspection due to in-progress statutory audit 2008 and other subjudice matter pertaining to the share department record.

7. A vibrant securities market that become a corner stone of a thriving economy and confidence in the securities market cannot be restored and a environment conducive to its growth cannot be put in place unless and until there is adequate protection of the investors. In accordance with the wishes of the Legislature, it is a declared objective of the Commission that interest of the investors small or large shall be protected alike. The same role of the Commission was desired by the Honorable High Court of Sindh, in the case of Sheikh Abdul Wahid & Others vs. Securities and Exchange Commission of Pakistan, M.A No.4 of 2007.

8. The aforesaid description of the events sufficiently explains the continued efforts of the directors of the company to deny the availability of the company records and relevant information on account of evasive justifications. Therefore, I am of the considered view that the directors of the company have not complied with the directions of the Commission and therefore are liable to be punished under the provisions of Section 495 of the Ordinance. Section 495 of the Ordinance provides that where any directive is given or order is issued by the Court, the officer, the Commission, the registrar or the Federal Government under any provision of this Ordinance, non-compliance thereof within the period specified in such direction or order shall render every officer of the company or other person responsible for non-compliance thereof punishable, in addition to any other liability, with fine not exceeding fifty thousand rupees and, in the case of a continuing non-compliance, to a further fine not exceeding two thousand rupees for every day after the first during which such non-compliance continues. The fact of the case warrants no sympathy for the directors and requires a stern action against them. I, therefore, impose a fine of Rs. 50,000/- (rupees fifty thousand only) each on the following directors including the chief executive and the company secretary of the Company for contravening the provisions of Sub-section 495 (1) of the Ordinance.



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Continuation Sheet -4-

Sr.No	Name	Penalty (Rupees)
1.	Mr. Zakaria Ghani, Chief Executive	50,000
2.	Mr. Noor A. Qadir, Director	50,000
3.	Mr. Khalid Abid Mukhtar Shah, Director / Company Secretary	50,000
4.	Mr. Munawar Saeed Khan, Director	50,000
5.	Mr. Wasim Ahmed, Director	50,000
6.	Mr. Rehmatullah Qadri, Director	50,000
7.	Mr. Mukesh Kumar, Director	50,000
Total		350,000

9. The chief executive, all directors of the Company and the company secretary are hereby advised to deposit their respective fines in the account # 0183089871000097 maintained in the name of Securities & Exchange Commission of Pakistan with MCB Bank Limited within thirty days from the receipt of this order and to furnish a receipted bank vouchers to this office. It may also be noted that the said penalties are imposed on the directors in their personal capacity accordingly they are required to pay their respective fines from their personal resources.

10. Further, I hereby invoke provisions of Section 473 of the Ordinance and direct Mr. Zakaria Ghani, the Chief Executive to arrange all the relevant record / documents / information and present before the authorized inspectors appointed by the Commission including but not limited to that advised by the authorized inspector's letter dated October 6, 2008 and share record of the company, within 10 days from the date of this order, failing which the Commission shall be constrained to initiate proceedings under Sub-section (2) of Section 495 of the Ordinance which states that If non-compliance or failure continues after conviction under sub-section (1), the officer or other person who is a party to such non-compliance or failure shall be liable to punishment with imprisonment which may extend to six months and fine not exceeding two thousand rupees for every day after the first during which such noncompliance continues, and shall further cease to hold office in the company and be disqualified from holding any office in any company for a period of five years.

Tahir Mahmood
Executive Director (Enforcement)

Announced:
February 12, 2009, Islamabad