



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
NIC BUILDING BLUE AREA, ISLAMABAD

Before the Executive Director (Securities Market Division)

In the matter of Show Cause Notice No. SMD/233/122/2002 dated April 14, 2008 and Notice dated November 20, 2009 (together the SCN) and hearing notices dated June 10, 2008, June 23, 2008, August 17, 2009 and August 31, 2009 issued to **Sahrish Textile Mills Limited** under Section 28 read with Section 31 & 33 of the Central Depositories Act, 1997.

Date(s) of hearings : June 23, 2008, June 27, 2008,
August 30, 2009, September 07, 2009
& December 03, 2009

Present at final hearing:

Representing the Respondents : No one appeared

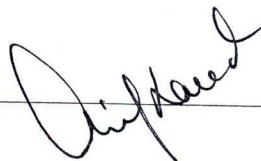
Assisting the Executive Director : Tariq Naseem, Deputy Director

ORDER

This order will dispose of the proceedings initiated against Sahrish Textile Mills Limited (STML) and its Directors including Chief Executive Officer (herein after collectively referred as the "Respondents") by Securities and Exchange Commission of Pakistan (the "Commission") under Section 28 read with Section 31 & 33 of the Central Depositories Act, 1997 (the "Act") regarding contravention of Regulation No. 5.5.3 of the Central Depository Company of Pakistan Limited Regulations (the "CDC Regulations").

2. Brief facts of the case are that:

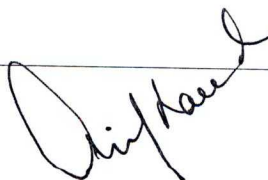
- i. the Central Depository Company of Pakistan Limited (“CDC”) vide letter dated December 22, 2006 requested STML to settle, within 07 working days, outstanding amount of Rs.119,040/- on account of annual fee and fresh issue fee;
- ii. upon failure of STML to settle the said outstanding amount, CDC on January 12, 2007 issued a notice of intention to suspend the Central Depository System (the “CDS”) eligibility of ordinary shares of STML under Regulation 14.12.1 (d) of the CDC Regulations;
- iii. another notice of intention of suspension of CDS Eligibility was issued by CDC on January 19, 2007 under Regulation 5.3.2 on account of non-compliance to the requirements of Regulation 13.7.1 which require STML to reconcile the number of book-entry securities held on the Central Depository Register with the number of such securities recorded in the name of CDC on the books of the Issuer on monthly basis;
- iv. STML failed to rectify the cause mentioned in the above-mentioned notices, therefore CDC, in term of Regulation 5.3.1, suspended CDS Eligibility of ordinary shares of STML with effect from January 24, 2007 and February 10, 2007 in respect of contraventions mentioned at serial No. 2(ii) and 2(iii) respectively;
- v. due to continuous default on the part of STML and laps of stipulated time period, CDC, vide notice dated July 20, 2007, revoked CDS eligibility of ordinary shares of STML with effect from July 31, 2007;
- vi. as required under Regulation 5.5.3, CDC forwarded to STML vide its letter dated July 31, 2007, copy of Beneficial Owners Report as of July 30, 2007. STML was also requested to prepare physical share certificates and provide the same to CDC for onward delivery to the holders whose registration details appeared in the beneficial owner report;



- vii. CDC vide notice dated July 31, 2007 and subsequent letters dated August 17, 2007 and September 06, 2007 advised STML to complete the formalities in terms of Regulation 5.5 but STML failed to do so;
- viii. STML vide letter dated September 06, 2007 intimated CDC that their registered office was closed for last two months due to reconstruction and renovation and requested for restoration of CDS Eligibility of ordinary shares of STML. However, CDC vide its letter dated September 12, 2007 regretted to do so advised STML to provide physical share certificates along-with transfer deeds for onward delivery; and
- ix. CDC vide its letter dated December 01, 2007 intimated to the Commission that it had not received physical share certificates from STML and requested to take necessary action.

3. In view of the above, the Commission vide letter dated February 08, 2008 called written explanation from the STML, however, no reply was received in response to this letter. The Respondents were served show cause notice on April 14, 2008 by the Commission wherein they were advised to show cause in writing within fourteen (14) days to explain as to why penal action may not be taken against it under sub-section (1) of Section 28 of the Act for the aforesaid contravention. In response, STML vide its letter dated April 23, 2008 pleaded the scarcity of resources and unfavorable economic conditions as an excuse for non-payment of CDC dues, however, no valid justifications were provided for non-delivery of physical shares.

4. In order to provide the Respondents an opportunity to explain its position, hearing notice dated June 10, 2008 was issued and hearing in the matter was fixed for June 23, 2008 at the Head Quarters of the Commission at Islamabad. The Mr. Zafar Iqbal, Company Secretary (the "Company Secretary") appeared on behalf of the Respondents but failed to produce a written delegation of authority in his favor. The hearing was therefore adjourned till June 27, 2008 and notice in this regard was issued on June 23, 2008. On the given date the Company Secretary again appeared on behalf of the Respondents and produced power of attorney in his favor which was found defective. The Company Secretary promised to produce proper authority letter within



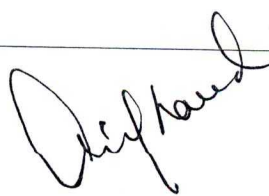
three days through post, on acceptance of which a fresh hearing date can be fixed. The Commission received on August 7, 2008 a power of attorney dated July 19, 2008 in favor of the Company Secretary and Mr. Mumtaz Choudry.

5. The Commission provided the Respondents with an opportunity of hearing on August 30, 2009 and a hearing notice in this regard was issued on August 17, 2009 but no one appeared on the given date. Another opportunity of hearing was provided on September 7, 2009 by issuing another hearing notice on August 31, 2009 but again no one appeared on the given date.

6. In order to meet the ends of justice and before passing an *ex-parte* order, a final opportunity of hearing was provided to the Respondents. Hearing in the matter was fixed for December 03, 2009 and hearing notice in this regard was issued on November 20, 2009 by the undersigned being competent for adjudication under the authority of the Commission. It was clearly stated in the said notice that in case of non-appearance, the matter will be decided *ex-parte* on the basis of documents/information available on record. However, again no one appeared before me and neither any response was received from the Respondents.

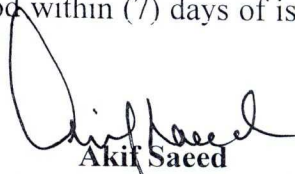
7. In view of the above, I am of the considered opinion that the Respondents have been provided ample opportunities to plead their case and explain the situation but the Respondents failed to do so. The Documents/information available on record and failure of the Respondents to appear in the various hearings shows that the Respondents have knowingly and willfully violated the requirements of Regulation 5.5.3 of the CDC Regulations. Furthermore, this action of the Respondents have caused immense misery and frustration to the shareholders as they are unable to trade shares of STML only because the Respondents have failed to comply with the regulatory requirements. Therefore, fine as outlined below is hereby imposed on the Respondents under Section 28 of the Central Depositories Act, 1997:

S. No.	Name and Designations	Amount of Fine in Rupees
1.	M/s. Sahrish Textile Mills Limited	50,000
2.	Mr. Muhammad Ahmad, Director & C.E.O. CNIC No. 33100-9122448-1	200,000



3.	Mr. Tanvir Tahir, Director CNIC No. 31103-8641022-9	100,000
4.	Mr. Mukhtar Ahmad Anwar, Director CNIC No. 31203-5693517-1	100,000
5.	Mrs. Saeeda Kausar, Director CNIC No. 33100-4934697-8	100,000
6.	Mr. Bashir Ahmad, Director CNIC No. 33301-3485200-1	100,000
7.	Mr. Haji Irfan Shoukat, Director CNIC No. 31103-1159611-7	100,000
8.	Mrs. Ruquia Nisar, Director CNIC No.31103-9764760-0	100,000

8. The Respondents are, therefore, directed to deposit the above-mentioned fine in the designated bank account of the Commission and make the default good within (7) days of issue of this order.


Akiq Saeed
 Executive Director (SMD)

Announced on:
December 10, 2009
Islamabad