



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I

### Adjudication Division

ORDER	
Name of Company:	M/s. The National Silk & Rayon Mills Limited
Show Cause Notice No. & Date:	CSD/ARN/232/2015-654 dated November 29, 2024
Respondents:	(i) Sh. Faisal Tauheed, Director; (ii) Sh. Kashif Tauheed, Director; (iii) Mrs. Samira Faisal, Director; (iv) Mrs. Tahira Kashif, Director; (v) Sh Mustafa Faisal Tauheed, Director; (vi) Mr. Muhammad Arif, Director; (vii) Mr. Shehzad Ehsan, Director; and (viii) M/s. The National Silk & Rayon Mills Limited.
Date(s) of Hearing(s):	(i) January 30, 2025 (ii) February 13, 2025
Case represented by:	(i) Mr. Nazir Ahmed Shaheen ( <i>Nazir Shaheen &amp; Associates</i> ) (ii) Mr. Imtiaz Haider ( <i>Nazir Shaheen &amp; Associates</i> ) (iii) Mr. Qaiser Ali Faheem ( <i>Chief Financial Officer</i> )  (as <i>Authorized Representatives</i> )
Provision of law involved:	Section 159 of the Companies Act, 2017 read with Sections 169 and 479 thereof
Order Dated:	April 21, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the “Commission”) through the Show Cause Notice No. CSD/ARN/232/2015-654 dated November 29, 2024 (“SCN”) issued to M/s. The National Silk & Rayon Mills Limited (the “Company”) and its Board of Directors (the “BOD”), hereinafter collectively referred to as the “Respondents”, under Section 159 of the Companies Act, 2017 (the “Act”) read with Section 169 and Section 479 thereof.

2. Sub-section (3) and (4) of Section 159 of the Act provides that any member intending to contest the election of directors returning or otherwise, is required to submit a written notice to the company at least fourteen days before the date of the meeting. The company, in turn, is obligated to circulate these notices to all members at least seven days prior to the meeting. In the case of listed companies, this notice must also be published in widely circulated English and Urdu newspapers.

3. The brief facts of the case are that the Company held the elections of its BOD in the Extra Ordinary General Meeting (the “EOGM”) held on June 22, 2023. In order to verify the facts, the Commission vide emails dated September 21, 2023 and September 22, 2023 requested

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the Company to provide copies of notices published in daily English and Urdu newspapers in which the names of the individuals contesting the elections of the Company in its EOGM held on June 22, 2023 were published. In response the Company vide its letter dated September 22, 2023 responded in the following manner:

*“as nobody submitted intension or documents to contest the election of directors to the office within stipulated time as per Section 178(3) of the Income Tax Ordinance [correction of reference: Companies Act, 2017] before EOGM, the retiring directors were willing & thereby unanimously/unopposed were re-elected at the EOGM. Further, if there had been any submission for contesting the election of Directors by individuals, we would have published the names along with Ballot Paper for other agendas of the EOGM.....”*

4. The Company’s response revealed that it, *prima facie*, failed to comply with the requirements of Section 159 of the Act, which attracts a penal action under Section 169 thereof. Section 169 of the Act is reproduced as follows:

*“169. Penalties. Whoever contravenes or fails to comply with any of the provisions of sections 154 to 168 or is a party to the contravention of the said provisions shall be liable to a penalty of level 2 on the standard scale and may also be debarred by the authority which imposes the penalty from becoming or continuing a director of the company for a period not exceeding three years.”*

5. As the Company failed to justify the non-compliance with the aforesaid mandatory requirements of law in a cogent manner, SCN dated November 29, 2024 was issued to the Respondents to show cause in writing as to why a penal action may not be taken against them. However, the Company failed to submit the response to SCN in a timely manner. In order to provide opportunity of personal representation and to meet the ends of justice, hearing in the matter was first fixed for January 30, 2025. However, the same was adjourned upon the request of the Respondents. The Respondents were given a second opportunity for personal representation on February 13, 2025, wherein, Mr. Nazir Ahmed Shaheen of M/s. Nazir Shaheen & Associates along with Mr. Imtiaz Haider and Mr. Qaiser Faheem (the “Authorized Representatives”) appeared on behalf of the Respondents and argued the case. The Authorized Representatives reaffirmed their earlier written submission dated September 22, 2023, acknowledging the oversight as an unintentional omission without any wrongful intent and requested leniency in the matter. They further assured that the Respondents are fully aware of the violation and will take necessary measures to prevent its recurrence.

6. Subsequently, the Authorized Representatives vide letter dated February 17, 2025 submitted the following written response which stated as follows:

*“The Extra Ordinary General Meeting of the Company was held on 22.6.2023 and all requirements laid down under the Act were compiled in letter and spirit, except with the fact that one procedural omission was made that is highly regretted. All the retiring directors of the Company submitted their intention to offer themselves as a director(s)*

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*pursuant to sub-section 3 of the Section 159 of the Act as the referred provision envisages that any member who seeks to contest an election to the office of director shall, whether he is a retiring director or otherwise, file with the company, not later than fourteen days before the date of the meeting at which elections are to be held.*

*Sub-section (4) of the Section 159 of the Act provides all notices received by the company in pursuance of sub-section (3) to be transmitted to the members not later than seven days before the date of the meeting and as a listed company such notice shall be published in English and Urdu languages at least in one issue each of a daily newspaper of respective language having wide circulation.*

*The Company complied all other requirements of PSX by widely disseminating the information and compliance obligations. Notice of general meeting was published in newspapers as well in complete compliance to the requirements as being listed company.*

*There was an inadvertent editing mistake that the published notice omitted to mention "and they have offered themselves for re-election" as last addition at point 2 of the said advertisement. It was a procedural non-compliance and certainly an overlook that the Company regrets and not being material nature, we request regulator to take a lenient view. Since none else from members offered for contesting the election, the materiality is very slight and deserved to be taken a lenient view.*

*The Company is closely held 98.42% of the shareholding is held by the directors and family members showing that directors have absolute control over the Company and this is not recent move rather a legacy held by the family owning the Company. This is submitted without undermining the importance and rights of the public that holds shareholding of the Company. The Company shall ensure in future that it stands in complete compliance to the requirements stipulated in the Act and other relevant laws."*

7. I have reviewed the facts of the case and also considered the written and verbal submissions made by the Respondents through the Authorized Representatives. At this juncture, it is important to observe that compliance with these statutory timelines and procedural requirements are critical to ensuring a valid election process and preserving the rights of the members, especially the minority shareholders. Any deviation may impact the integrity of the elections and may render the overall activity injured with suspicion. Section 159(3) and (4) of the Act mandates that any member intending to contest the election, either as a re-election or as a fresh contender (otherwise), must submit their notice at least 14 days before the meeting and the company is required to circulate all such notices at least 7 days prior. For listed companies, this includes mandatory publication in widely circulated English and Urdu newspapers, ensuring transparency and shareholder awareness.

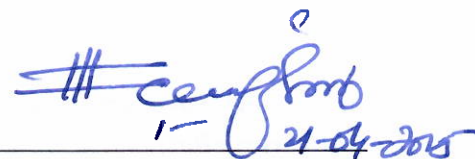
8. Guidance on the instant matter can be sought from a judgement passed by the Appellate Bench of the Commission in the matter of "Shams-ud-din vs Director/HOD, Adjudication-I, Securities and Exchange Commission of Pakistan, (2024 CLD 747), where it was held that "There is no ambiguity in S. 159 of the Companies Act, 2017 as the same does not dispense the

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*requirement of holding a general meeting of a company in case where the number of persons who offer themselves to be elected is not more than the number of directors". Accordingly, the judgment signified the importance of following the procedure for elections of directors as laid down in Section 159 of the Act holistically.*

9. The requirements under Section 159 of the Act are fundamental to maintaining the integrity of the election process for directors and any failure in this regard undermines the rights of shareholders and the fair administration of corporate affairs. While the Respondents have sought leniency on the grounds of inadvertence, it is the duty of every listed company to ensure absolute compliance with statutory provisions, leaving no room for procedural oversights.

10. In view of the aforesaid, I am of the considered view that the contravention of provisions of Section 159 has been established beyond doubt and the same has been admitted by the Authorized Representatives as well. The said contravention attracts penalty of the penal provision contained in Section 169 of the Act read with Section 479 thereof. Keeping in view the admission of the Respondents and the nature of the contravention, I, in the exercise of powers conferred upon me under Section 169 and 479 of the Act read with SRO 1545(I)/2019 dated December 06, 2019, hereby conclude the instant proceedings with a strict WARNING to the Respondents and advise them to ensure compliance with applicable laws and regulations to preserve the true objectives of the regulatory framework.



(Sohail Qadri)

Director/ Head of Department  
Adjudication Department-I

**Announced:**

Dated: April 21, 2025

Islamabad.