



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I Adjudication Division

ORDER	
Name of Company	Dewan Mushtaq Textile Mills Limited
Number and Date of Show Cause Notice	CSD/ARN/206/2015-621 dated November 19, 2024
Respondents	1. Mr. Ishtiaq Ahmad, Chief Executive 2. Syed Maqbool Ali, Chairman, Board of Directors 3. Mr. Ghazanfar Babar Siddiqi, Director 4. Mr. Mehmood-ul-Hassan Asghar, Director 5. Mr. Waseem-ul-Haque Ansari, Director 6. Mrs. Nida Jamil, Director 7. Mr. Aziz-ul-Haque, Director 8. Mr. Muhammad Irfan Ali, Chief Financial Officer
Date(s) of Hearing(s)	December 13, 2024; and December 24, 2024;
Case Represented By	1. Mr. Mehmood ul Hassan Asghar, Director; 2. S.M. Raza, Director Group Taxation & Corporate Affairs; and 3. Mr. Muhammad Hanif German, Company Secretary
Provision of Law Involved	Section 237 of the Companies Act, 2017 read with Section 479 thereof and Circular 11 of 2023 dated August 11, 2023

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (**the Commission**) against the Board of Directors (**BOD**) including the Chief Executive Officer and Chief Financial Officer (**CFO**), hereinafter collectively referred as **Respondents**, of Dewan Mushtaq Textile Mills Limited (**the Company**) through Show Cause Notice CSD/ARN/206/2015-621 dated November 19, 2024 (**the SCN**) issued under Section 237 of the Companies Act, 2017 (**the Act**) read with Section 479 thereof and Circular 11 of 2023 dated August 11, 2023 (**Circular**).

2. The brief facts of the case are that from a perusal of the relevant record of the Commission, it was noted that the Company failed to prepare and file/transmit through e-Services/eZfile with the Registrar/Commission its Quarterly Financial Statements (**QFS**) for the following period within the stipulated time as required under Section 237 of the Act read with Circular.:

Quarter Ended	Due Date	Status of Transmitting through e-Services/eZfile with the Registrar/Commission
Sept 30, 2024	October 30, 2024	Not filed/transmitted

3. The QFS for the said period were also not posted on the website of the Company. The Respondents, *prima facie*, contravened the provisions of Section 237 of the Act and the Circular by failing to prepare and file/transmit the aforesaid QFS through e-Services/eZfile with the Registrar/Commission, and by not posting the same on the website of the Company within the stipulated time.

4. While taking cognizance of the said contravention, the SCN was issued to the Respondents to show cause in writing as to why penal action may not be taken against them for non-compliance with the provisions of Section 237 of the Act. The Respondent however, failed to submit a written response to the SCN.

5. In order to provide an opportunity for personal representation, a hearing in the matter was fixed for December 13, 2024, which was adjourned upon request of the Respondents. The same was re-fixed and held before the undersigned on December 24, 2024, wherein Mr. Mehmood ul Hassan Asghar, Director; S.M. Raza,

Director Group Taxation & Corporate Affairs; and Mr. Muhammad Hanif German, Company Secretary; appeared on behalf of the Respondents as their Authorized Representatives (**the Representatives**).

6. During the hearing, the Representatives attributed the non-preparation and non-transmission of the QFS for the said period, to the loss of the Company data due to IT server problems resulting from a fire incident that occurred in the year 2019 on the premises of Dewan Group offices. The Representatives asserted that this incident caused the loss of significant Company data with persisting technical problems and the Company is already in a financial crunch due to the halt of operations since the year 2016. Their IT Team is engaged in retrieving the data, however, the delay in the restoration of data is more than expected.

7. When asked to explain about the data backup policy and the police reporting or investigation into the fire event on the premises, the Representatives stated that they did not have any data backup and had no FIR record or information about the investigation available with the Company. They also claimed that they relocated their office from the location of the fire incident and that, while the fire incident affected their IT equipment, it was still operational with some difficulty, so they continued to prepare the financial statements until the year 2022. However, their equipment became completely corrupted/unusable in the year 2023, limiting their ability to prepare the financial statements due to complete loss of data.

8. The Representatives stated that currently, the Company is in the process of data restoration and reconciliation, the completion of which will enable the external auditor to initiate the necessary audit procedure. The quarterly filing requirements under Section 237 of the Act will be complied with after finalizing the annual financial statements and conducting of over-due AGMs. Subsequently they will hold the board meeting to approve the Company's QFS and file with the concerned Registrar of the Companies. In conclusion, the Representatives requested the Commission to condone the proceedings in light of the afore-narrated facts and conclude the proceedings by taking a lenient view of the matter.

9. The Representatives, submitted a post-hearing reply vide letter dated December 31, 2024, *inter alia*, submitted the following:

- i Regarding non-transmission of QFS for the period ended September 30, 2024, the Respondents acknowledged the importance of compliance with the statutory requirements and assure that they are taking all necessary measures to address the situation.
- ii The AGM and Quarterly meeting for the Company in 2023 could not be held as scheduled due to technical issues with the Company's data, caused by a fire at the FTC Building a few years ago. The fire, which started on the 6th floor, also affected the 7th and 8th floors where the offices of Yousuf Dewan Companies and the IT server room were located. As a result, most of the equipment in the affected areas was damaged.
- iii The Company has faced ongoing IT system issues due to fire damage but previously their IT Team managed to resolve them within a short span of time. All the times the data retrieved was first matched with the original supporting documents for its validation before audit of the same and the related Financial Statements.
- iv Due to the financial constraints faced by the Company over the years being non-operational since 2016, they were unable to make the required investments in their IT infrastructure to fully avoid these issues once for all.
- v The Company has its own IT personnel who undertook repairs and maintenance work on the IT server to retrieve the data for the year ended June 30, 2023, but unfortunately, during this activity, a substantial portion of critical data could not be retrieved, preventing them from finalizing the Company's accounts.
- vi The IT team informed them about the status of the database and application servers, highlighting data integrity issues and major discrepancies. The retrieved data was transferred to another machine, and they are now conducting a thorough reconciliation process to ensure accuracy and consistency. This involves working closely with key users across departments to verify and validate the data with source documents. Given the complexity and importance of this task, they are prioritizing accuracy over speed to avoid further complications.
- vii Once data reconciliation is complete, financial accounts will be forwarded to external auditors for their audit and necessary procedures, followed by the AGM for approval of Financial Statements for

the year ended June 30, 2023. After finalizing the Annual Accounts and conducting of AGMs they will hold board meetings to approve the Company's QFS and subsequently will file the same with the concerned Registrar of the Companies.

viii Despite financial constraints and operational shutdown since 2016, the Company has remained compliant with holding of periodic meetings including AGMs until June 30, 2022. They are striving hard to resolve these issues and hope that issue will be resolved soon and they will be able to convene pending AGMs soon. They requested leniency given the exceptional circumstances.

10. I have reviewed the facts of the case and also considered the written and verbal submissions made by the Respondents through the Representatives. At this juncture, it is important to discuss the following legal and factual elements:

- i In terms of Section 237 of the Act read with Circular every listed company is required to prepare and file/transmit its QFS through e-Services/eZfile with the Registrar/Commission within thirty (30) days from the close of the first quarter of its year of accounts and to post the same on the company's website within the said period. Accordingly, it was obligatory on the part of the Company to prepare and file/transmit its QFS in timely manner.
- ii The QFS for the period ended September 30, 2024 are overdue till date. The Respondents are of view that QFS are connected with the annual audited accounts for the year ended June 2024, and they are not certain about the timeline of the finalization of annual audited accounts. In terms of provisions of Section 237 of the Act read with the Circular, a listed company is required to file/transmit its QFS within stipulated time, whereas in the instant case, a considerable delay has already been noticed in filing/transmission of the QFS for the period ended September 30, 2024 and the Respondents are still uncertain with respect of date of filing/transmission of aforesaid QFS. Thus, the Respondents have deprived the shareholders to receive QFS of the Company within the stipulated time as provided in the Act.
- iii The Respondents cannot use IT server and Infrastructure damage issues as an excuse for failing to file/transmit QFS within the statutory timeframe. Listed companies are expected to have strong data protection measures, including backups, disaster recovery and incident response plans. They should also inform shareholders of any delays transparently. Additionally, the argument that data remain available after the fire incident till 2022 but only afterward was lost is not plausible as the Company has sufficient time post-incident to ensure the efficacy of data availability. The Respondents remain legally responsible for ensuring the filing/transmission of QFS to the Registrar/Commission and posting of the same on Company's website on time without fail.
- iv Furthermore, as per the available record, the Respondents have a history of non-compliance in respect of filing/transmission of QFS for the previous Quarters, claiming the same reason for IT server and equipment issues and data loss due to the fire incident. It is a matter of concern that the Respondents again failed to resolve such issue after lapse of considerable time.

11. In view of the preceding facts, I am of the considered view that by failing to prepare, file/transmit the QFS for the period ended September 30, 2024, within the prescribed timeframe and by not posting the same on the Company's website, the contravention with the requirements of Section 237 of the Act read with Circular No. 11 has been established beyond doubt which attracts penal action in terms of sub-section (4) of Section 237 of the Act. I, therefore, in the exercise of the powers conferred upon me under sub-section (4) of Section 237 of the Act, hereby, impose an aggregate penalty of **Rs. 120,000/- (Rupees One Hundred and Twenty Thousand only)** on the Respondents in the following manner:

S.No.	Name of Respondents	Penalty Amount (Rupees)
1.	Mr. Ishtiaq Ahmad, Chief Executive	15,000
2.	Syed Maqbool Ali, Chairman, Board of Directors	15,000
3.	Mr. Ghazanfar Babar Siddiqi, Director	15,000
4.	Mr. Mehmood-ul-Hassan Asghar, Director	15,000

5.	Mr. Waseem-ul-Haque Ansari, Director	15,000
6.	Mrs. Nida Jamil, Director	15,000
7.	Mr. Aziz-ul-Haque, Director	15,000
8.	Mr. Muhammad Irfan Ali, Chief Financial Officer	15,000
	Total Amount	120,000

12. The Respondents are hereby directed to deposit the aforesaid fine in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and furnish receipted voucher issued in the name of the Commission for information and record. In case of failure to deposit the penalty, the proceedings under Section 485 of the Act will be initiated for recovery of the fines as arrears of land revenue pursuant to provisions of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997.

(Mahboob Ahmad)

Additional Director/ Head of Wing
Adjudication Department-I

Announced:

Dated: February 03, 2025

Islamabad