



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

ORDER	
Name of Company	Dewan Khalid Textile Mills Limited
Number and Date of Show Cause Notice	CSD/ARN/205/2015-651 dated November 29, 2024
Respondents	1. Mr. Ishtiaq Ahmad, Chief Executive 2. Syed Maqbool Ali, Chairman, Board of Directors 3. Mr. Abdul Basit, Director 4. Mr. Mehmood-ul-Hassan Asghar, Director 5. Mr. Ghazanfar Baber Siddiqi, Director 6. Mrs. Nida Jamil, Director 7. Mr. Aziz-ul-Haque, Director 8. Mr. Muhammad Hanif German, Company Secretary 9. Dewan Khalid Textile Mills Limited
Date(s) of Hearing(s)	December 19, 2024; and January 02, 2025;
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 (As Authorized Representative)
Provision of Law Involved	Section 132 of the Companies Act, 2017 read with Section 479 thereof

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (**the Commission**) against Dewan Khalid Textile Mills Limited (**the Company**), its Board of Directors (**BOD**) including Chief Executive Officer (**CEO**) and the Company Secretary (herein collectively referred as **Respondents**) through Show Cause Notice CSD/ARN/205/2015-651 dated November 29, 2024 (**the SCN**) issued under Section 132 of the Companies Act, 2017 (**the Act**) read with Section 479 thereof.

2. The brief facts of the case are that from perusal of the relevant record of the Commission, it was noted that the Respondents failed to hold the Annual General Meeting of the Company for the Financial Year ended June 30, 2024 (**the AGM**) within a period of one hundred and twenty (120) days following the closure of its afore-stated Financial Year, as required under sub-section (1) of Section 132 of the Act.

3. While taking cognizance of the said contravention, a SCN was issued to the Respondents to show the cause in writing as to why penal action may not be taken against them for non-compliance with the provisions of Section 132 of the Act. The Respondent however, failed to submit a written response to the SCN.

4. In order to provide an opportunity for personal representation, hearing in the matter was fixed for December 19, 2024, however, neither anyone appeared on behalf of the Respondents, nor was any adjournment sought. Subsequently, to meet the ends of justice and to provide another opportunity for personal representation, hearing into the matter was re-fixed and held before the undersigned on January 02, 2025; 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**).

5. During the hearing, the Representatives attributed the non-holding of AGM for the financial year 2024 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

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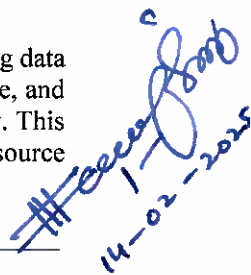
crunch due to the halt of operations since the year 2016. The Representatives further informed that their IT Team is engaged in retrieving the data, however, the delay in the restoration of data is more than expected.

6. When the Representatives asked to explain about the data backup policy and any reporting of incidence to Law Enforcing Agencies, 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 and holding AGM 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. They further asserted that out of total Nine listed Companies of Dewan Group, they are facing IT server and data loss issue in respect of only Two companies, of which the Company is one.

7. Regarding the anticipated date of holding the preceding AGM, 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. 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. The Representative requested that a written response filed in a similar-natured case of Dewan Mushtaq Textile Mills Limited (which is a group company of the Company) be considered a written response in the current case. The Representatives however, were advised to submit their arguments in the matter in writing and/or written response to the SCN separately.

8. Subsequently, the Representatives, submitted a post hearing reply to the SCN vide a letter dated February 3, 2025, received in the Commission on February 11, 2025, *inter alia*, submitted the following:

- i Regarding non-holding of AGM for the year 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 of the Company could not be held as scheduled since the year 2023 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

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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.
- viii Despite financial constraints and operational shutdown since 2016, the Company has remained compliant with holding of AGMs until June 30, 2022 and is striving hard to resolve these issues and hope that issues will be resolved soon and will be able to convene pending AGMs soon.

9. 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 discuss the following legal and factual elements:

- i In terms of Section 132(1) of the Act, every company is required to hold its AGM once in every calendar year within a period of one hundred and twenty days (120) following the close of its financial year. Accordingly, it was obligatory on part of the Company to hold its AGM by October 28, 2024, which it failed to hold.
- ii The holding of timely AGMs is a key legal and governance requirement that ensures transparency, accountability, and shareholder engagement. It allows shareholders to participate in discussions, approve financial statements, and hold management accountable. Adhering to legal provisions under the Act is essential for protecting shareholders' rights, fostering trust, and promoting good corporate governance. The Company being listed must meet its statutory duties to hold AGMs on time, facilitating open communication and feedback from shareholders. Thus, the Respondents, in any manner whatsoever, cannot absolve themselves from their statutory duties of holding AGMs, promptly.
- iii In the recent judgment passed by the Appellate Bench of the Commission, in the matter of *Gulistan Spinning Mills Limited vs. Director/HoD Adjudication-I* (Appeal No. 71 of 2022), the Appellate Bench has held that *"A public listed company has a higher responsibility to disseminate a true and accurate state of affairs to all the stakeholders by holding the AGM within the stipulated time so that appropriate and timely decisions are made. Therefore, the Company, the BoD and Company Secretary should have conducted the AGM as per the applicable legal framework."*
- iv The Respondents cannot use IT server and Infrastructure damage issues as an excuse for failing to hold AGMs 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. Moreover, IT personnel should have been trained to report and address server problems immediately. While unforeseen issues like data loss may pose challenges, the Respondents remain legally responsible for ensuring the AGM takes place on time without fail.
- v Furthermore, as per the available record, the Respondents have also been adjudicated upon their failure to hold its AGM for the year 2023, claiming the same reason for IT server and equipment issues and data loss due to the fire incident and the Company was penalized. It is a matter of concern that the Respondents again failed to resolve such issue after lapse of considerable time.
- vi Moreover, a sanction order for initiating winding-up has also been passed against the Company on August 10, 2020. However, it is pertinent to note that in light of the clear provision of Section 387 of the Act, such sanction does not exonerate the Company and its Board of Directors from continuing to

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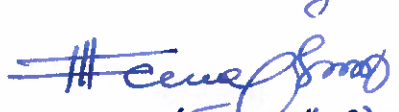
hold its general meetings and meeting other regulatory compliance, which would allow members to be informed about the current situation.

10. In view of the preceding facts, I am of the considered view that by failing to hold AGM within the prescribed timeframe, the contravention with the requirements of sub-section (1) of Section 132 of the Act has been established beyond doubt which attracts penal action in terms of sub-section (5) of Section 132 of the Act. I, therefore, in the exercise of the powers conferred upon me under sub-section (5) of Section 132 of the Act, hereby, strictly **warn** the Company to avoid such violations of regulatory requirements in the future and 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
1.	Mr. Ishtiaq Ahmad, Chief Executive	15,000
2.	Syed Maqbool Ali, Chairman, Board of Directors	15,000
3.	Mr. Abdul Basit, Director	15,000
4.	Mr. Mehmood-ul-Hassan Asghar, Director	15,000
5.	Mr. Ghazanfar Baber Siddiqi, Director	15,000
6.	Mrs. Nida Jamil, Director	15,000
7.	Mr. Aziz-ul-Haque, Director	15,000
8.	Mr. Muhammad Hanif German, Company Secretary	15,000
	Total Amount	120,000

11. The Respondents are also advised to remain fully conscious of compliances with the applicable legal and regulatory framework in the future.

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 42 of the Securities and Exchange Commission of Pakistan Act, 1997.


14-02-2025
(Sohail Qadri)
Director/ Head of Department
Adjudication Department-I

Announced:
Dated: February 14, 2025
Islamabad