



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before

Shahzad Afzal Khan, Director/ Head of Department

In the matter of

Premium Textile Mills Limited

Show Cause Notice No. & Date CSD/ARN/355/2016-202 dated April 08, 2024

Date of Hearing: June 03, 2024

Present: Mr. Hammad Ullah Khan, Company Secretary; and Mr. Muhammad Iqbal Chappra, Ex-Company Secretary; as the Authorized Representatives

ORDER

UNDER SECTION 132 OF THE COMPANIES ACT, 2017, CIRCULAR 10 OF 2019 DATED JULY 03, 2019 AND SRO 423/2018 DATED APRIL 03, 2018 READ WITH SECTIONS 479 AND 510 OF THE COMPANIES ACT, 2017

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the Commission) against Premium Textile Mills Limited (the "Company") and its Board of Directors (BoD), herein collectively referred as the ("Respondents") through Show Cause Notice dated April 08, 2024 (the SCN) issued under section 132 of the Companies Act, 2017 (the Act), Circular 10 of 2019 dated July 03, 2019 (the Circular) and SRO 423/2018 dated April 03, 2018 (the SRO) read with sections 479 and 510 of the Act:

2. Brief facts of the case are that:

- (i) Upon review of the records, it was revealed that the Company held its Annual General Meetings (AGMs) on October 26, 2022 and October 25, 2023 and first Extra-Ordinary General Meeting (EOGM) on June 23, 2023 (later cancelled) and second EOGM on February 12, 2024, however did not submit, both physically and through email, the notice of AGMs/ EOGMs to the Commission as required in terms of section 132(3) of the Act, under the Circular and clause (1) (C) of the SRO.
- (ii) The Company in its AGM held on October 25, 2023 and EOGM held on February 12, 2024 got approval, as a special business, regarding office of profit held by director, increase in remuneration of Chief Executive Officer (CEO) and Executive Director (the "Special Business") and amendments in Articles of Associations



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(AOA) of the Company without complying with the disclosure requirements in the notice of AGM and EOGM relating to special business of the Company, as prescribed in the SRO.

- (iii) Clause-4 of Part-A; Clause-1 and Clause-3 of Part-B of the SRO requires specific disclosures to be made by the Company in the notice of general meeting and statement of material facts for matters related to alteration of articles, director's remuneration for performing extra services and seeking sanction of shareholders for a director to hold office of profit. The Company obtained approval in its AGM held on 25-Oct-2023 for amendments in the AOA and increase in remuneration of the executive directors of the Company, however a brief descriptive of same were disclosed in the statement of material facts contrary to the requirement of specific disclosures as per SRO. The status of compliance by the Company regarding specific requirement of SRO are tabulated below:

Clause-4, Part-A of SRO - Amendments in Articles

Sr. No	Requirement of SRO	Compliance Status by Company
i.	Comparative analysis of existing clause with the proposed amendment along with reasons for the change	No comparative analysis given
ii.	A statement by the board that the proposed alterations are in line with the applicable provisions of the law and regulatory framework	Not given

Clause-1, Part-B of SRO - Director's remuneration

Sr. No	Requirement of SRO	Compliance Status by Company
i.	Details of the extra services performed or to be performed by the director	Not given
ii.	Statement on suitability of the selected director for performing extra services	Not given
iii.	Remuneration of the director, including perks and benefits, pecuniary or otherwise for the extra services	Not given
iv.	Any other benefits or profits arising consequent to performing of extra services by the director	Not given



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v.	Benefits to the company and its members as a result of such extra services to be performed by the director	Not given
vi.	Period of performing such extra services	Not given

Clause-3, Part-B of SRO - Office of Profit

Sr. No	Requirement of SRO	Compliance Status by Company
i.	Details of the office of profit proposed to be held by the director	Not given
ii.	Brief job description of the office to be held by the director	Not given
iii.	Remuneration of the director, including perks and benefits, pecuniary or otherwise	Not given
iv.	Any other benefits or profits arising out of such office of profit for the director	Not given
v.	Benefits to the company and its members as a result of such office of profit to be held by the director	Not given
vi.	Period of holding of such office	Not given

- (iv) The matter of non-compliances of the above referred requirements was taken up by the Commission with the Company vide letter dated February 22, 2024. The Company in its response dated February 29, 2024, *inter alia*, stated that:

"The Company served notice to all stakeholders through courier and notices were published in two newspapers. However, based on observation highlighted, we are committed to ensuring timely communication to all stakeholders through all regulatory channels, including the areas highlighted."

"Detailed disclosures under Sec-134(3) have been consistently published in the general meeting held during 2023 and 2024 which ensures that the purpose and implications of any special business conducted are effectively communicated to all stakeholders. In light of the observations, the Company is taking proactive measures to further strengthen its efforts. Specifically ensuring that material facts as required by relevant laws are explicitly mentioned in all future disclosures."

- (v) It appears that the Company failed to provide the newspapers published notices for the aforesaid AGMS and EOGMs and the same were neither submitted physically nor filed through email with the Commission and *prima facie*, violated



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the requirements of section 132(3) of the Act and the Circular by not submitting/ filing notices of AGMs and EOGMs with the Commission and by not complying with the disclosure requirements prescribed in the SRO for special business of the Company, for which penalty is provided in terms of section 132(5), 238(2) and section 510(2) of the Act.

3. In order to take cognizance of the aforesaid contravention, the SCN was served upon the Respondents seeking justification for not complying with the requirements of section 132(3) of the Act, the Circular and the SRO. In response to the SCN, Mr. Hammad Ullah Khan, Company Secretary and Mr. Muhammad Iqbal Chappra, Ex-Company Secretary on behalf of the Respondents as their Authorized Representatives (**the Representatives**), vide letter dated April 26, 2024 assured future compliance and, *inter alia*, submitted as under:

- The Company sent the intimation of the General Meetings (including cancellation), published the detailed notice in two newspapers (English and Urdu) and also communicated to all shareholders through PSX.
- The requirement was partially complied by dispatching the notice of general meeting to SECP, however we apologize for the oversight relating to electronically sending the same and we assure future compliance in this regard.
- The served notices provided a very comprehensive Statement of Material Facts for each Special Business to ensure that maximum information is shared with all the stakeholders however we apologize for overlooking the requirements of the SRO pertaining to disclosure of material facts in specified format for special business to be discussed in general meeting. Moreover, shareholders were given the option in AGM notice to inspect documents relating to special business.

4. In order to provide opportunity of personal representation, hearing in the matter was fixed for June 03, 2024, wherein the Representatives appeared and reiterated the written response dated April 26, 2024.

5. Subsequent to the hearing, the Representatives vide letter dated June 07, 2024, *inter alia*, submitted that the Company implemented section 132(3) of the Act and partially implemented the Circular however the remaining requirements of the Circular and compliance with the SRO were overlooked. However comprehensive Statement of Material Facts was provided in AGM notice to ensure that maximum information is shared with all stakeholders.



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6. Relevant provision of the Act, Circular and SRO provides that:

"The Act:

132. Annual General Meeting.-- (3) *The notice of an annual general meeting shall be sent to the members and every person who is entitled to receive a notice of general meetings at least twenty-one days before the date fixed for the meeting:*

Provided that, in the case of a listed company, such notice shall be sent to the Commission, in addition to its being dispatched in the normal course to members and the notice shall also be published in English and Urdu languages at least in one issue each of a daily newspaper of respective language having nationwide circulation.

(5) *Any contravention or default in complying with requirement of this section shall be an offence liable: -*

(a) *in case of a listed company, to a penalty of level 2 on the standard scale.*

238. - Power of the Commission to require submission of additional statement of accounts and reports.- (1) *Notwithstanding anything contained in any other provision of this Act the Commission may, by general or special order, require companies generally, or any class of companies or any particular company, to prepare and send to the members, the Commission, the registrar, the securities exchange and any other person such periodical statements of accounts, information or other reports, in such form and manner and within such time, as may be specified in the order.*

(2) *Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 3 on the standard scale.*

510. - Power to issue directives, circulars, guidelines. (2) *Any person who obstructs or contravenes or does not comply with any directive, prudential requirements, codes, circulars, notifications, given under this section shall be liable to a penalty of level 3 on the standard scale*

The Circular:

(ii) *A copy of newspaper in each language, in which notice of general meeting was published, along with statement under section 134 of the Act, where applicable, shall be filed with the SECP within three days of publication.*

The SRO:

Clause-(C) (1) of SRO: *A listed company shall simultaneously dispatch a copy of the notice of the general meeting in which a special business is to be transacted along with the statement*



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of material facts in the head office of the Securities and Exchange Commission of Pakistan, through fax or email and courier service on the same day it is dispatched to the members."

7. I have reviewed the facts of the case, considered the written and verbal submissions made by the Representatives in the light of the applicable legal provisions and available record before me. At this juncture, it is imperative to address the following:

(i) Whether the Respondents comply with relevant provisions of the Act, Circular and SRO regarding the submission of notices and disclosures for General Meetings:

No, the Respondents failed to fully comply with the requirements of section 132(3) of the Act, the Circular and the SRO for not electronically filing notices of AGMs and EOGMs with the Commission and by not complying with the disclosure requirements prescribed in the SRO for special business of the Company and the said non-compliance has also been admitted by the Representatives.

(ii) Whether the Respondents meet the disclosure requirements for special business under the SRO?

No, the Respondents overlooked to provide specific disclosure requirements to the stakeholders as outlined in Clause 4 Part (A) and Clauses 1 & 3 of Part (B) of the SRO in the AGM notice, which mandate detailed disclosures in a specified format relating to each special business to be discussed in general meetings.

(iii) Whether the partial compliance with requirements of the Circular and the SRO absolve the Respondents from the default?

No, partial compliance with the regulatory requirements does not absolve the Respondents for not complying with all the requirements prescribed under the Act, Circular and the SRO. Regulatory standards mandate full adherence to all specified legal obligations.

(iv) Significance of a comprehensive AGM Notice?

A detailed and complete AGM notice is crucial for ensuring legal compliance, transparency, stakeholder engagement, accountability, and effective corporate governance. It enables stakeholders to participate in important decision-making processes and contributes to maintaining trust and confidence in the company.

(v) Significance of providing complete and detailed information relating to Special Business to be deliberated in general meetings?

Provision of detailed information regarding Special Business to be deliberated in general meetings is crucial for ensuring transparency, informed decision-making, and regulatory compliance. Comprehensive information of Special Business provided along with notice of general meetings enable shareholders and other stakeholders to



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fully understand the nature, rationale, implications, and associated potential risks and ensures that all pertinent aspects are thoroughly considered before reaching a decision. Moreover, detailed disclosure helps mitigate the risk of misunderstandings, disputes, or legal challenges, thereby promoting effective corporate governance and accountability within the organization.

8. In view of the above, the non-compliances with the requirements of section 132(3) of the Act and the Circular relating to non-filing notices of AGMs and EOGMs with the Commission and not complying with the disclosure requirements prescribed in the SRO for special business of the Company, have been established and same have been admitted by the Representatives. I, therefore, in exercise of the powers under Sections 132(5) and 510(2) of the Act, hereby conclude the proceedings of the SCN by imposing a penalty of Rs. 100,000/- (Rupees One Hundred Thousand only) on the Company and warn all the remaining Respondents and also advise them to ensure meticulous compliance with the applicable legal and regulatory framework in future.

9. The Respondents are hereby directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Securities Exchange and Commission of Pakistan with MCB Bank Limited within thirty (30) days of the date of this Order and furnish receipted bank challan, evidencing payment of the same, to the Commission forthwith. In case of failure to deposit the penalties, the proceedings under Land Revenue Act, 1967 will be initiated for recovery of the fines as arrears of land revenue.

10. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law(s) on matter subsequently investigated or otherwise brought to the knowledge of the Commission.

(Shahzad Afzal Khan)
Director/ Head of Department
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Announced:

Dated: July 15, 2024

Islamabad

