



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

Number and Date of SCN: CSD/ARN/355/2016-200 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 176(3) OF THE COMPANIES ACT, 2017 READ WITH SECTIONS 176(4)(a) & 479 THEREOF

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the Commission) against the Board of Directors ("Respondents") of Premium Textile Mills Limited (the "Company") through Show Cause Notice (the "SCN") dated April 08, 2024 issued under Section 176(3) read with Sections 176(4) & 479 of the Companies Act, 2017 (the "Act"):

2. Brief facts of the case are that review of available record of the Company revealed that the Company held following Board of Directors (BoD) meetings during the financial year (FY) 2022:

Sr. No.	Date of BoD Meetings
1.	October 04, 2021
2.	October 29, 2021
3.	February 28, 2022
4.	April 28, 2022

3. The Commission vide email dated March 18, 2024 inquired from the Company as to why BoD meeting was not held in the first quarter of FY 2022 (July 01, 2021 to September 30, 2021). The Company vide email dated March 18, 2024 stated that:



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"The board of directors typically meets quarterly to review quarterly accounts. The company received its annual accounts for the financial year ending June 30, 2022 from auditors on September 26, 2022. In compliance with CCG rule 11(2), the company promptly distributed the accounts to directors and conduct board meeting promptly after the end of 1st quarter (i.e. October 04, 2022)."

4. From the aforesaid, it appears that the Respondents failed to hold quarterly board meeting during the first quarter of FY 2022 i.e. July 2021 – September 2021, thus, *prima facie*, have contravened the provisions of sub-section (3) of section 176 of the Act. Consequently proceedings under section 176(3) of the Act read with sections 176(4)(a) and 479 thereof were initiated against the Respondents through serving the SCN.

5. Mr. Hammad Ullah Khan, Company Secretary and Mr. Muhammad Iqbal Chappra, Ex-Company Secretary, acting as Authorized Representatives of the Respondents (**the Representative**) vide letter dated April 26, 2024, *inter-alia*, submitted that delay in holding the quarterly board meeting for the first quarter of FY 2022 was due to late finalization of annual audited accounts by the auditors. Board meetings for the subsequent quarters were ensured to be held in accordance with the requirements of applicable legal framework. They further requested waiver of penalty considering minimal delay in holding board meeting and subsequent compliance.

6. 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 and informed that two board meetings i.e. meetings for first and second quarters of FY 2022 were held in October 2021.

7. Subsequent to the hearing, the Representatives vide letter dated June 07, 2024 requested waiver of penalty while stating that the minimal delay of two working days (after closure of 1st quarter of FY 2022) in holding board meeting of first quarter of FY 2022 was due to late finalization of annual audited accounts caused due to Covid outbreak.

8. Relevant legal provisions are reproduced as hereunder:

176. Proceedings of the board. –

"(3) The board of a public company shall meet at least once in each quarter of a year;

(4) If a meeting of the board is conducted in the absence of a quorum or a meeting of board is not held as required by sub-section (3), the chairman of the directors and the directors shall be liable –

(a) if the default relates to a listed company, to a penalty of level 2 on the standard



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scale.”

9. I have gone through the facts of the case, the written and verbal submissions made by the Representatives and observed that:

(i) Requirement of the Law:

Section 176(3) of the Act is clear and explicitly require the listed companies to hold meeting of its board of directors at least once in every quarter of their fiscal year and no exception is provided under the applicable legal and regulatory framework. The Respondents have misconstrued the requirements of Section 176 of the Act that board meetings are held with single agenda to approve quarterly Accounts and business related to it. The Act provides numerous businesses, in addition to approval of financial statements, that require deliberation and decision of Board. In addition, the Listed Companies (Code of Corporate Governance) Regulations, 2019 (CCG Regulations) also require that significant issues be placed for the information, consideration and decision of the Board.

(ii) Significance of Quarterly Board Meeting:

The statute requires that the BoD of a listed company has to meet, *at least*, once in each quarter as board is required to be watchful and to have vigilant oversight on all the affairs of company including the operations. Numerous businesses, in addition to approval of financial statements, that require deliberation and decision of Board have been identified by the Act and the CCG Regulations. Regular board meetings are must for enabling the board to identify any critical matter, blind spot etc., if any, and could address the same on prompt basis. Moreover, quarterly board meetings are crucial for overseeing the financial, strategic, operational, and compliance aspects of a listed company as they provide a structured forum for decision-making, oversight, and alignment of corporate actions with long-term goals and shareholder interests.

(iii) Meeting of Board of Directors in the first quarter of FY 2022:

The board meeting for the first quarter of the FY 2022 was not held by the Company and the same was held in October 2021 i.e. during second quarter of FY 2022. It is however noted that delay in holding of BOD meeting of July-September quarter by two days for FY 2022 is admitted fact, further the authorized representative of the respondents has also assured compliance with the provisions of section 176(3) of the Act, in future.



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10. In view of the aforesaid, I am of the considered view that the contravention of provisions of section 176(3), has been established and the same has been admitted by the Representative as well. The said contravention attracts penalty of the penal provision contained in section 176(4) of the Act read with section 479 thereof. However, keeping in view the fact that meeting was held on October 04, 2021 with delay of only two days, I, in exercise of, the powers conferred under sub-section (4) of section 176 of the Act read with section 479 thereof, warn the Respondents and advise them to ensure compliance of applicable legal and regulatory framework in future in letter and spirit.

11. Nothing in this Order may be deemed to prejudice the operation of any provisions of the Act providing for imposition of penalties on the Respondent in respect of any default, omission or violation thereof.

A handwritten signature in blue ink, appearing to read 'Shahzad Afzal Khan', is written over a horizontal line.

Shahzad Afzal Khan
Director/ HOD
Adjudication Department-I

Announced:

July 15, 2024

Islamabad