



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before

Shahzad Afzal Khan - Director/Head of Department

In the Matter of

Hamid Textile Mills Limited

Number and Date of SCN: CSD/ARN/255/2020-140 dated April 18, 2024

Dates of Hearings: May 15, 2024 and May 30, 2024

Present: Mr. Muhammad Aslam Awan

ORDER

UNDER SECTION 166 OF THE COMPANIES ACT, 2017 READ WITH SECTIONS 169 THEREOF

This Order shall dispose of the proceedings initiated against Board of Directors of Hamid Textile Mills Limited (the Company), collectively referred to as the Respondents, through Show Cause Notice CSD/ARN/255/2020-140 dated April 18, 2024 (the SCN) issued under Section 166 (1) of the Companies Act, 2017 and Section 169 thereof.

2. Brief facts of the case are that review of the annual audited accounts of the Company for the year ended June 30, 2023 (the Accounts) revealed that the Company has disclosed two independent directors namely; Mr. Abid Hussain and Mr. Muhammad Amin in the Statement of Compliance (SOC) with the Listed Companies (Code of Corporate Governance) Regulations, 2019.

3. The Securities and Exchange Commission of Pakistan (the Commission) vide letter dated February 20, 2024 sought explanation from the Company with regard to the registration of the independent directors in the Pakistan Institute of Corporate Governance (the PICG) database. The Company, in response, submitted as follows:

"As for the appointment of independent directors from the list of PICG database it is submitted that currently, the company status is suspended for share transfer and therefore due to non-transfer of minimum qualification shares, we could not appoint a new independent director from the list of PICG."

4. In view of the aforesaid, the Respondents have *prima facie*, contravened the provisions of Section 166(1) of the Act in terms of which the independent director was not selected from the PICG's databank at the time of appointment, punishable under Section 169 of the Act. Therefore, taking cognizance of the alleged non-compliance, proceedings



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 1 -

were initiated against the Respondents through serving the SCN requiring them to show cause in writing, as to why action, as provided, should not be initiated against them.

5. In reply to the SCN the Company vide letter dated April 27, 2024 submitted the following response:

"...due to practical and technical impediments faced by the company due to the status suspension by PSX and CDC for share transfer, the company is unable to appoint new director from the list of PICG as the qualification shares must be transferred to the new directors.

The reason for suspended status is due to continuous adverse opinion on going concern by external auditor for last so many years which could not resolved with the external auditor due to the pending litigation in the court for bank liability case of NBP.

We through this letter hereby show our willingness to appoint the independent director from PICG list subject to the SECP may allow the transfer of these minimum shares to the incoming director from the list of PICG as a special case by giving appropriate direction to the Share registrar for such transfer so that we may be able to comply of the law. If special permission can be granted for this specific purpose by SECP, please guide us the procedure to be followed in this case.

If the permission so requested is not granted to us, the management due to above stated technical and practical problem exists, the company is unable to rectify and resolve the issue of appointment of the independent director till the matter of litigation is resolved with the bank."

6. To provide opportunity of personal representation, hearing in the matter was fixed for May 15, 2024, however, the hearing was adjourned on Company's request vide letter dated May 11, 2024 also intimating appointment of Mr. Muhammad Aslam Awan as the Authorized Representative (the **Representative**) to represent the Respondents. Subsequently, hearing was re-fixed for May 30, 2024, wherein, the Representative appeared before the undersigned and reiterated the submissions as mentioned in the aforementioned letter dated April 27, 2024.

7. Relevant legal provisions are reproduced as hereunder:

Section 166 (1) of the Companies Act, 2017:

"166. Manner of selection of independent directors and maintenance of databank of independent directors. (1) – An independent director to be appointed under any law,



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 2 -

rules, regulations or code, shall be selected from a data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors, maintained by any institute, body or association, as may be notified by the Commission, having expertise in creation and maintenance of such data bank and post on their website for the use by the company making the appointment of such directors;"

Section 169 of the Companies Act, 2017:

"Whoever contravenes or fails to comply with any of the provisions of section 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 for a period not exceeding three years."

8. I have gone through the facts of the case, considered the written submissions made and the arguments extended during the hearing and observed that the non-compliance of Section 166 of the Act is admitted by the Respondents, therefore, are liable to be penalized under Section 169 of the Act read.

9. In view of the above, I, in exercise the powers conferred under Section 169 of the Act, hereby conclude the proceedings initiated against the Respondents through the SCN by imposing an aggregate penalty of **Rs. 70,000/- (Rupees Seventy Thousand Only)** on the Respondents in the following manner:

Sr. #	Name of the Respondents	Penalty (Rs.) for violation of Section 166 (1) of the Act
1.	Mrs. Khushbu Ammad	10,000
2.	Mr. Khawar Almas Khuwaja	10,000
3.	Mrs. Nighat Khawar	10,000
4.	Mrs. Momina Khawar Ali	10,000
5.	Mr. Muhammad Alamgir	10,000
6.	Mr. Abid Hussain	10,000
7.	Mr. Muhammad Amin	10,000
	Total:	70,000

10. The Respondents are hereby, directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the 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 to furnish a receipted bank challan to 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.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 3 -

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 Respondents in respect of any default, omission or violation thereof.

A handwritten signature in blue ink, consisting of several loops and a horizontal line at the end, is positioned above a horizontal line.

Shahzad Afzal Khan
Director/ HOD
Adjudication Department-I

Announced:
July 15, 2024, Islamabad